
SUBSTITUTE SENATE BILL 6038

State of Washington

65th Legislature

2018 Regular Session

By Senate Law & Justice (originally sponsored by Senators Pedersen and Padden; by request of Uniform Law Commission)

READ FIRST TIME 01/31/18.

1 AN ACT Relating to limited cooperative associations; amending RCW
2 23.95.105, 23.95.305, and 23.86.030; adding a new section to chapter
3 23.86 RCW; adding a new section to chapter 24.06 RCW; and adding a
4 new chapter to Title 23 RCW.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 **PART 1**
7 **GENERAL PROVISIONS**

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

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

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

15 (b) "Board of directors" means the board of directors of a
16 limited cooperative association.

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

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

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

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

10 (g) "Director" means a director of a limited cooperative
11 association.

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

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

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

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

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

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

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

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

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

38 (o) "Members meeting" means an annual members meeting or special
39 meeting of members.

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

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

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

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

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

13 (s) "Patronage" means business transactions between a limited
14 cooperative association and a person which entitles the person to
15 receive financial rights based on the value or quantity of business
16 done between the association and the person.

17 (t) "Required information" means the information a limited
18 cooperative association is required to maintain under section 110 of
19 this act.

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

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

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

30 (2) The following definitions from RCW 23.95.105 apply to this
31 chapter: "Entity," "execute," "executes," and "executed," "foreign,"
32 "jurisdiction," "jurisdiction of formation," "organic law," "organic
33 rules," "person," "principal office," "property," "receipt,"
34 "record," "registered agent," "state," and "transfer."

35 NEW SECTION. **Sec. 103.** NATURE OF LIMITED COOPERATIVE
36 ASSOCIATION. (1) A limited cooperative association organized under
37 this chapter is an autonomous, unincorporated association of persons
38 united to meet their mutual interests through a jointly owned

1 enterprise primarily controlled by those persons, which permits
2 combining:

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

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

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

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

15 (2) A limited cooperative association may be organized for any
16 lawful purpose, regardless of whether for profit, except that a
17 limited cooperative association may not be organized for the purpose
18 of generating, purchasing, selling, marketing, transmitting, or
19 distributing electric energy.

20 (3) Unless the articles of organization state a term for a
21 limited cooperative association's existence, the association has
22 perpetual duration.

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

30 NEW SECTION. **Sec. 106.** GOVERNING LAW. The law of this state
31 governs:

32 (1) The internal affairs of a limited cooperative association;
33 and

34 (2) The liability of a member as a member and a director as a
35 director for the debts, obligations, or other liabilities of a
36 limited cooperative association.

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

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

12 NEW SECTION. **Sec. 108.** RELATION TO RESTRAINT OF TRADE AND
13 ANTITRUST LAWS. To the extent a limited cooperative association or
14 activities conducted by the association in this state meet the
15 material requirements for other cooperatives entitled to an exemption
16 from or immunity under any provision of RCW 19.86.030 through
17 19.86.050, the association and its activities are entitled to the
18 exemption or immunity. This section does not create any new exemption
19 or immunity for an association or affect any exemption or immunity
20 provided to a cooperative organized under any law other than this
21 chapter.

22 NEW SECTION. **Sec. 109.** EFFECT OF ORGANIC RULES. (1) The
23 relations between a limited cooperative association and its members
24 are consensual. Unless required, limited, or prohibited by this
25 chapter, the organic rules may provide for any matter concerning the
26 relations among the members of the association and between the
27 members and the association, the activities of the association, and
28 the conduct of its activities.

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

31 (a) State a term of existence for the association under section
32 104(3) of this act;

33 (b) Limit or eliminate the acceptance of new or additional
34 members by the initial board of directors under section 202(2) of
35 this act;

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

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

3 (e) Vary the board of directors meeting quorum under section
4 615(1) of this act;

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

7 (g) Specify causes of dissolution under section 1002(1) of this
8 act;

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

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

13 (j) Subject to section 620 of this act, provide for the
14 elimination or limitation of liability of a director to the
15 association or its members for money damages pursuant to section 618
16 of this act;

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

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

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

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

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

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

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

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

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

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

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

- 1 (i) Increase quorum requirements for members meetings under
2 section 410 of this act and board of directors meetings under section
3 615 of this act;
- 4 (j) Allocate voting power among members, including patron members
5 and investor members, and provide for the manner of member voting and
6 action as permitted by sections 411 through 417 of this act;
- 7 (k) Authorize investor members and expand or restrict the
8 transferability of members' interests to the extent provided in
9 sections 502 and 503 of this act;
- 10 (l) Provide for enforcement of a marketing contract;
- 11 (m) Provide for qualification, election, terms, removal, filling
12 vacancies, and member approval for compensation of directors in
13 accordance with sections 603 through 605, 607, 609, and 610 of this
14 act;
- 15 (n) Restrict the manner of conducting board meetings and taking
16 action without a meeting under sections 611 and 612 of this act;
- 17 (o) Provide for frequency, location, notice, and waivers of
18 notice for board meetings under sections 613 and 614 of this act;
- 19 (p) Increase the percentage of votes necessary for board action
20 under section 616(2) of this act;
- 21 (q) Provide for the creation of committees of the board of
22 directors and matters related to the committees in accordance with
23 section 617 of this act;
- 24 (r) Provide for officers and their appointment, designation, and
25 authority under section 622 of this act;
- 26 (s) Provide for forms and values of contributions under section
27 802 of this act;
- 28 (t) Provide for remedies for failure to make a contribution;
- 29 (u) Provide for the allocation of profits and losses of the
30 association, distributions, and the redemption or repurchase of
31 distributed property other than money in accordance with sections 803
32 through 806 of this act;
- 33 (v) Specify when a member's dissociation is wrongful and the
34 liability incurred by the dissociating member for damage to the
35 association under section 901 (2) and (3) of this act;
- 36 (w) Provide the personal representative or other legal
37 representative of a deceased member or a member adjudged incompetent
38 with additional rights under section 903 of this act;
- 39 (x) Increase the percentage of votes required for board of
40 director approval of:

- 1 (i) A resolution to dissolve under section 1005(1)(a) of this
2 act;
- 3 (ii) A proposed amendment to the organic rules under section
4 302(1)(a) of this act;
- 5 (iii) A proposed disposition of assets under section 1203(1) of
6 this act; and
- 7 (iv) A plan of merger or plan of conversion under sections 1301
8 through 1320 of this act; and
- 9 (y) Vary the percentage of votes required for members approval
10 of:
- 11 (i) A resolution to dissolve under section 1005 of this act;
- 12 (ii) An amendment to the organic rules under section 305 of this
13 act;
- 14 (iii) A disposition of assets under section 1204 of this act; and
- 15 (iv) A plan of merger or plan of conversion under sections 1301
16 through 1320 of this act.
- 17 (4) The organic rules must address members' contributions
18 pursuant to section 801 of this act.

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

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

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

29 (c) The initial bylaws and all amendments to and restatements of
30 the bylaws;

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

32 (e) All financial statements of the association for the three
33 most recent years;

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

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

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

- 1 (i) A list containing:
- 2 (i) The name, in alphabetical order, and last known street
3 address and, if different, mailing address of each patron member and
4 each investor member; and
- 5 (ii) If the association has districts or classes of members,
6 information from which each current member in a district or class may
7 be identified;
- 8 (j) The federal income tax returns, any state and local income
9 tax returns, and any tax reports of the association for the three
10 most recent years;
- 11 (k) Accounting records maintained by the association in the
12 ordinary course of its operations for the three most recent years;
- 13 (l) The minutes of directors meetings for the period of the
14 association's existence;
- 15 (m) Evidence of all actions taken by directors without a meeting
16 for the period of the association's existence;
- 17 (n) The amount of money contributed and agreed to be contributed
18 by each member;
- 19 (o) A description and statement of the agreed value of
20 contributions or benefits other than money made or provided and
21 agreed to be made or provided by each member;
- 22 (p) The times at which, or events on the happening of which, any
23 additional contribution is to be made by each member;
- 24 (q) For each member, a description and statement of the member's
25 interest or information from which the description and statement can
26 be derived; and
- 27 (r) All communications concerning the association made in a
28 record to all members, or to all members in a district or class, for
29 the three most recent years.
- 30 (2) If a limited cooperative association has existed for less
31 than the period for which records must be maintained under subsection
32 (1) of this section, the period records must be kept is the period of
33 the association's existence.
- 34 (3) The organic rules may require that more information be
35 maintained.

36 NEW SECTION. **Sec. 111.** BUSINESS TRANSACTIONS OF MEMBER WITH
37 LIMITED COOPERATIVE ASSOCIATION. Subject to sections 618 and 619 of
38 this act and except as otherwise provided in the organic rules or a
39 specific contract relating to a transaction, a member may lend money

1 to and transact other business with a limited cooperative association
2 in the same manner as a person that is not a member.

3 NEW SECTION. **Sec. 112.** DUAL CAPACITY. A person may have a
4 patron member's interest and an investor member's interest. When such
5 person acts as a patron member, the person is subject to this chapter
6 and the organic rules governing patron members. When such person acts
7 as an investor member, the person is subject to this chapter and the
8 organic rules governing investor members.

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

13 NEW SECTION. **Sec. 114.** SUBJECTS COVERED OUTSIDE CHAPTER. The
14 following subjects are covered in whole or in part outside this
15 chapter:

- 16 (1) Delivery of record: RCW 23.95.110.
17 (2) Filing with secretary of state: RCW 23.95.200 through
18 23.95.265.
19 (3) Name of entity: RCW 23.95.300 through 23.95.315.
20 (4) Registered agent of entity: RCW 23.95.400 through 23.95.460.
21 (5) Foreign entities: RCW 23.95.500 through 23.95.555.
22 (6) Administrative dissolution: RCW 23.95.600 through 23.95.625.
23 (7) Miscellaneous provisions, including supplemental principles
24 of law and reservation of power to amend or repeal: RCW 23.95.700
25 through 23.95.715.

26 **PART 2**
27 **ORGANIZATION OF LIMITED COOPERATIVE ASSOCIATION**

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

- 32 (2) The articles of organization must state:
33 (a) The name of the limited cooperative association, which must
34 comply with RCW 23.95.300 and 23.95.305(5);
35 (b) The purposes for which the association is formed;

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

3 (d) The street and mailing addresses of the initial principal
4 office;

5 (e) The name and street and mailing addresses of each organizer;
6 and

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

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

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

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

18 (a) If initial directors are named in the articles of
19 organization, the initial directors shall hold an organizational
20 meeting to adopt initial bylaws and carry on any other business
21 necessary or proper to complete the organization of the association;
22 or

23 (b) If initial directors are not named in the articles of
24 organization, the organizers shall designate the initial directors
25 and call a meeting of the initial directors to adopt initial bylaws
26 and carry on any other business necessary or proper to complete the
27 organization of the association.

28 (2) Unless the articles of organization otherwise provide, the
29 initial directors may cause the limited cooperative association to
30 accept members, including those necessary for the association to
31 begin business.

32 (3) Initial directors need not be members.

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

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

1 (a) A statement of the capital structure of the limited
2 cooperative association, including:

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

6 (ii) The rights to share in profits or distributions of the
7 association;

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

9 (c) A statement designating voting and other governance rights,
10 including which members have voting power and any restriction on
11 voting power;

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

15 (e) A statement concerning the manner in which profits and losses
16 are allocated and distributions are made among patron members and, if
17 investor members are authorized, the manner in which profits and
18 losses are allocated and how distributions are made among investor
19 members and between patron members and investor members;

20 (f) A statement concerning:

21 (i) Whether persons that are not members but conduct business
22 with the association may be permitted to share in allocations of
23 profits and losses and receive distributions; and

24 (ii) The manner in which profits and losses are allocated and
25 distributions are made with respect to those persons; and

26 (g) A statement of the number and terms of directors or the
27 method by which the number and terms are determined.

28 (2) Subject to section 109(3) of this act and the articles of
29 organization, bylaws may contain any other provision for managing and
30 regulating the affairs of the association.

31 (3) In addition to amendments permitted under sections 301
32 through 307 of this act, the initial board of directors may amend the
33 bylaws by a majority vote of the directors at any time before the
34 admission of members.

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

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

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

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

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

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

15 **PART 3**
16 **AMENDMENT OF ORGANIC RULES OF LIMITED COOPERATIVE**
17 **ASSOCIATION**

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

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

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

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

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

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

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

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

11 (ii) A recommendation that the members approve the amendment, 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 (iii) A statement of any condition of the board's submission of
16 the amendment to the members; and

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

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

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

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

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

34 NEW SECTION. **Sec. 304.** VOTING BY DISTRICT, CLASS, OR VOTING
35 GROUP. (1) This section applies if the organic rules provide for
36 voting by district or class, or if there is one or more identifiable
37 voting groups that a proposed amendment to the organic rules would
38 affect differently from other members with respect to matters

1 identified in section 305(5) (a) through (e) of this act. Approval of
2 the amendment requires the same percentage of votes of the members of
3 that district, class, or voting group required in sections 305 and
4 414 of this act.

5 (2) If a proposed amendment to the organic rules would affect
6 members in two or more districts or classes entitled to vote
7 separately under subsection (1) of this section in the same or a
8 substantially similar way, the districts or classes affected must
9 vote as a single voting group unless the organic rules otherwise
10 provide for separate voting.

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

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

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

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

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

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

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

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

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

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

2 (5) The vote required to amend bylaws must satisfy the
3 requirements of subsection (1) of this section if the proposed
4 amendment modifies:

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

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

11 (c) The manner or method of allocation of profits or losses among
12 members;

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

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

17 (6) Except for the matters described in subsection (5) of this
18 section, the articles of organization may delegate amendment of all
19 or a part of the bylaws to the board of directors without requiring
20 member approval.

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

27 NEW SECTION. **Sec. 306.** RESTATED ARTICLES OF ORGANIZATION. A
28 limited cooperative association, by the affirmative vote of a
29 majority of the board of directors taken at a meeting for which the
30 purpose is stated in the notice of the meeting, may adopt restated
31 articles of organization that contain the original articles as
32 previously amended. Restated articles may contain amendments if the
33 restated articles are adopted in the same manner and with the same
34 vote as required for amendments to the articles under section 305(1)
35 of this act. Upon filing, restated articles supersede the existing
36 articles and all amendments.

37 NEW SECTION. **Sec. 307.** AMENDMENT OR RESTATEMENT OF ARTICLES OF
38 ORGANIZATION—FILING. (1) To amend its articles of organization, a

1 limited cooperative association must deliver to the secretary of
2 state for filing an amendment of the articles, or restated articles
3 of organization, which contain one or more amendments of the articles
4 of organization, stating:

5 (a) The name of the association;

6 (b) The date of filing of the association's initial articles; and

7 (c) The text of the amendment.

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

12 (a) Cause the articles to be amended; or

13 (b) If appropriate, deliver an amendment to the secretary of
14 state for filing pursuant to RCW 23.95.110(2).

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

18 (4) Upon filing, an amendment of the articles of organization or
19 other record containing an amendment of the articles which has been
20 properly adopted by the members is effective as provided in RCW
21 23.95.210.

22 PART 4

23 MEMBERS

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

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

29 (1) As provided in the organic rules;

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

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

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

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

4 NEW SECTION. **Sec. 404.** LIABILITY OF MEMBERS AND DIRECTORS. (1)
5 Unless the articles of organization provide otherwise, a debt,
6 obligation, or other liability of a limited cooperative association
7 is solely the debt, obligation, or other liability of the
8 association. A member or director is not personally liable, directly
9 or indirectly, by way of contribution or otherwise, for a debt,
10 obligation, or other liability of the association solely by reason of
11 being or acting as a member or director of the association. This
12 subsection applies regardless of the dissolution of the association.

13 (2) The failure of a limited cooperative association to observe
14 formalities relating to the exercise of its powers or management of
15 its activities and affairs is not grounds for imposing liability on
16 any member or director for a debt, obligation, or other liability of
17 the association.

18 NEW SECTION. **Sec. 405.** RIGHT OF MEMBERS AND DISSOCIATED MEMBERS
19 TO INFORMATION. (1) On at least ten business days' demand made in a
20 record received by a limited cooperative association, a member may
21 inspect and copy during regular business hours, at the principal
22 office or a reasonable location specified by the limited cooperative
23 association, required information listed in sections 110(1) (a)
24 through (h) of this act. A member need not have any particular
25 purpose for seeking the information. The association is not required
26 to provide the same information listed in section 110(1) (a) through
27 (h) of this act to the same member more than once during a six-month
28 period.

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

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

1 (b) The demand includes a description with reasonable
2 particularity of the information sought and the purpose for seeking
3 the information;

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

6 (d) The demand is reasonable.

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

11 (a) If the association agrees to provide the demanded
12 information:

13 (i) What information the association will provide in response to
14 the demand; and

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

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

19 (4) On at least ten business days' demand made in a record
20 received by a limited cooperative association, a dissociated member
21 may have access to information to which the person was entitled while
22 a member if the information pertains to the period during which the
23 person was a member, the person seeks the information in good faith,
24 and the person satisfies the requirements imposed on a member by
25 subsection (2) of this section. The association shall respond to a
26 demand made pursuant to this subsection in the manner provided in
27 subsection (3) of this section.

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

33 (6) In addition to any restriction or condition stated in its
34 organic rules, a limited cooperative association, as a matter within
35 the ordinary course of its activities and affairs, may impose
36 reasonable restrictions and conditions on access to and use of
37 information to be furnished under this section, including designating
38 information confidential and imposing nondisclosure and safeguarding
39 obligations on the recipient. In a dispute concerning the

1 reasonableness of a restriction under this subsection, the
2 association has the burden of proving reasonableness.

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

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

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

14 (10) The organic rules may require a limited cooperative
15 association to provide more information than required by this section
16 and may establish conditions and procedures for providing the
17 information.

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

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

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

25 (i) If the board of directors or another person is authorized in
26 the bylaws to determine the place of annual meetings, the board of
27 directors or such other person may, in the sole discretion of the
28 board of directors or such other person, determine that an annual
29 meeting will not involve a physical assembly of members at a
30 particular geographic location, but instead will be held solely by
31 means of remote communication, in accordance with (b) of this
32 subsection.

33 (ii) An association may permit any or all members to participate
34 in an annual members meeting by means of, or conduct the meeting
35 solely through the use of, remote communication. Subject to the
36 provisions of (b) of this subsection, participation by remote
37 communication is to be subject to any guidelines and procedures
38 adopted by or pursuant to the authority of the board of directors.

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

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

5 (ii) The association must implement reasonable measures to (A)
6 verify that each person participating remotely as a member is a
7 member, and (B) provide each person participating remotely as a
8 member a reasonable opportunity to participate in the meeting and to
9 vote on matters submitted to the members, including an opportunity to
10 read or hear the proceedings of the meeting substantially
11 concurrently with those proceedings.

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

14 (iv) If the board of directors or another authorized person
15 determines to hold an annual members meeting without a physical
16 assembly of members in accordance with this subsection (3), all
17 members entitled to vote at such meeting must have the opportunity to
18 participate in the meeting by remote communication in accordance with
19 this subsection (3).

20 (4) The board of directors shall report, or cause to be reported,
21 at the association's annual members meeting the association's
22 business and financial condition as of the close of the most recent
23 fiscal year.

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

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

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

31 (a) As provided in the organic rules;

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

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

38 (d) By demand in a record executed by members holding at least
39 ten percent of the total voting power of all the persons entitled to

1 vote on the matter that is the purpose of the meeting stated in the
2 demand.

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

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

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

13 (5) Unless the organic rules otherwise provide, the provisions of
14 section 406(3) of this act apply to special meetings of members as
15 though the special meeting of members were an annual meeting of
16 members.

17 (6) Only business within the purpose or purposes stated in the
18 notice of a special meeting of members may be conducted at the
19 meeting.

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

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

27 (2) Unless the articles of organization otherwise provide, notice
28 of an annual members meeting need not include any purpose of the
29 meeting.

30 (3) Notice of a special meeting of members must include each
31 purpose of the meeting as contained in the demand under section
32 407(1) (c) or (d) of this act or as voted upon by the board of
33 directors under section 407(1)(b) of this act.

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

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

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

6 NEW SECTION. **Sec. 410.** QUORUM OF MEMBERS. Unless the organic
7 rules otherwise require a greater number of members or percentage of
8 the voting power, the voting member or members present at a members
9 meeting constitute a quorum.

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

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

- 17 (a) One member, one vote;
18 (b) Use or patronage; or
19 (c) If a patron member is a cooperative, the number of its patron
20 members.

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

24 NEW SECTION. **Sec. 413.** VOTING BY INVESTOR MEMBERS. If the
25 organic rules provide for investor members, each investor member has
26 one vote, unless the organic rules otherwise provide. The organic
27 rules may provide for the allocation of investor member voting power
28 by class, classes, or any combination of classes.

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

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

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

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

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

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

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

13 (2) If voting by a proxy is permitted, a patron member may
14 appoint only another patron member as a proxy and, if investor
15 members are permitted, an investor member may appoint only another
16 investor member as a proxy.

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

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

22 NEW SECTION. **Sec. 416.** ACTION WITHOUT A MEETING. (1) Unless the
23 organic rules require that action be taken only at a members meeting,
24 any action that may be taken by the members may be taken without a
25 meeting if the action is approved by members entitled to vote on the
26 action in the aggregate not less than the minimum number of votes
27 that would be necessary to approve that action at a meeting of which
28 all members entitled to vote on the action were present and voted.
29 Action may be approved by members without a meeting or a vote by
30 means of execution of a single consent or multiple consents in a
31 record to the action.

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

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

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

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

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

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

11 (3) The organic rules may provide for the establishment of
12 classes of members, for the preferences, rights, and limitations of
13 the classes, and:

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

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

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

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

22 (1) For a limited cooperative association to approve a plan for a
23 transaction under sections 1301 through 1320 of this act, the plan
24 must be approved by a majority of the board of directors, or a
25 greater vote if required by the organic rules, and the board shall
26 call a members meeting to consider the plan, hold the meeting not
27 later than ninety days after approval of the plan by the board, and,
28 subject to section 419 of this act, mail or otherwise transmit or
29 deliver in a record to each member:

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

33 (b) A recommendation that the members approve the plan, or if the
34 board determines that because of a conflict of interest or other
35 circumstances it should not make a favorable recommendation, the
36 basis for that determination;

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

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

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

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

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

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

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

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

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

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

21 (5) A member's consent in a record to a plan must be delivered to
22 the limited cooperative association before delivery to the secretary
23 of state for filing of articles of merger or conversion if, as a
24 result of the merger or conversion, the member will have interest
25 holder liability for debts, obligations, or other liabilities that
26 are incurred after the transaction becomes effective.

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

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

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

38 (b) Delivering to those members who are eligible to vote a
39 notification, either in a meeting notice authorized under this

1 chapter or in such other reasonable form as the board of directors
2 may specify, setting forth the address of the electronic network at
3 which and the date after which such information or materials will be
4 posted and available for viewing by members eligible to vote,
5 together with comprehensible instructions regarding how to obtain
6 access to the information and materials posted on the electronic
7 network.

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

13 **PART 5**

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

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

- 16 (1) Is personal property;
17 (2) Consists of:
18 (a) Governance rights;
19 (b) Financial rights; and
20 (c) The right or obligation, if any, to do business with the
21 limited cooperative association; and
22 (3) May be in certificated or uncertificated form.

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

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

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

- 29 (a) If admitted as a patron member, remains a patron member;
30 (b) If admitted as an investor member, remains an investor
31 member; and
32 (c) If admitted as a patron member and investor member remains a
33 patron and investor member if not dissociated in one of the
34 capacities.

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

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

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

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

9 (4) The terms of any restriction on transferability of financial
10 rights must be:

11 (a) Set forth in the organic rules and the member records of the
12 association; and

13 (b) Conspicuously noted on any certificates evidencing a member's
14 interest.

15 (5) A transferee of a member's financial rights, to the extent
16 the rights are transferred, has the right to share in the allocation
17 of profits or losses and to receive the distributions to the member
18 transferring the interest to the same extent as the transferring
19 member.

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

23 (7) A limited cooperative association need not give effect to a
24 transfer under this section until the association has notice of the
25 transfer.

26 (8) A transfer of a member's financial rights in violation of a
27 restriction on transfer contained in the organic rules is ineffective
28 if the intended transferee has notice of the restriction at the time
29 of transfer.

30 **PART 6**

31 **DIRECTORS AND OFFICERS**

32 NEW SECTION. **Sec. 601.** BOARD OF DIRECTORS. (1) A limited

33 cooperative association must have a board of directors of at least
34 three individuals, unless the association has fewer than three
35 members. If the association has fewer than three members, the number
36 of directors may not be fewer than the number of members.

37 (2) The affairs of a limited cooperative association must be
38 managed by, or under the direction of, the board of directors. The

1 board may adopt policies and procedures that do not conflict with the
2 organic rules or this chapter.

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

5 NEW SECTION. **Sec. 602.** NO LIABILITY AS DIRECTOR FOR LIMITED
6 COOPERATIVE ASSOCIATION'S OBLIGATIONS. A debt, obligation, or other
7 liability of a limited cooperative association is solely that of the
8 association and is not a debt, obligation, or other liability of a
9 director solely by reason of being a director. An individual is not
10 personally liable, directly or indirectly, for an obligation of an
11 association solely by reason of being a director.

12 NEW SECTION. **Sec. 603.** QUALIFICATIONS OF DIRECTORS. (1) Unless
13 the organic rules otherwise provide, and subject to subsection (3) of
14 this section, each director of a limited cooperative association must
15 be an individual who is a member of the association or an individual
16 who is designated by a member that is not an individual for purposes
17 of qualifying and serving as a director. Initial directors need not
18 be members.

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

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

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

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

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

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

31 (2) Unless the organic rules otherwise provide, if a limited
32 cooperative association has investor members, the directors who are
33 not elected exclusively by patron members are elected by the investor
34 members.

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

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

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

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

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

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

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

20 (3) Except as otherwise provided in subsection (4) of this
21 section, a director continues to serve until a successor director is
22 elected or appointed and qualifies or the director is removed,
23 resigns, is adjudged incompetent, or dies.

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

27 NEW SECTION. **Sec. 606.** RESIGNATION OF DIRECTOR. A director may
28 resign at any time by giving notice in a record to the limited
29 cooperative association. Unless the notice states a later effective
30 date, a resignation is effective when the notice is received by the
31 association.

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

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

35 (2) A member or members holding at least ten percent of the total
36 voting power entitled to be voted in the election of a director may
37 demand removal of the director by one or more executed petitions

1 submitted to the officer of the limited cooperative association
2 charged with keeping its records.

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

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

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

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

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

20 (a) Fraudulent conduct with respect to the association or its
21 members;

22 (b) Abuse of the position of director;

23 (c) Intentional or reckless infliction of harm on the
24 association;

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

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

27 (f) Behavior that is disruptive to the proceedings of the board
28 of directors; or

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

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

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

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

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

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

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

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

12 (3) If a member appointed a vacating director, the organic rules
13 may provide for that member to appoint a director to fill the
14 vacancy.

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

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

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

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

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

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

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

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

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

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

16 (2) Unless the organic rules otherwise provide, a director's
17 participation in a meeting is a waiver of notice of that meeting
18 unless the director objects to the meeting at the beginning of the
19 meeting or promptly upon the director's arrival at the meeting and
20 does not thereafter vote in favor of or otherwise assent to the
21 action taken at the meeting.

22 NEW SECTION. **Sec. 615.** QUORUM. (1) Unless the articles of
23 organization provide for a different number, a majority of the total
24 number of directors specified by the organic rules constitutes a
25 quorum for a meeting of the directors. The articles of organization
26 may not provide for a quorum that is less than one-third of the total
27 number of directors specified by the organic rules.

28 (2) If a quorum of the board of directors is present at the
29 beginning of a meeting, any action taken by the directors present is
30 valid even if withdrawal of directors originally present results in
31 the number of directors being fewer than the number required for a
32 quorum.

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

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

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

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

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

11 (3) An individual who is not a director and is serving on a
12 committee has the same rights, duties, and obligations as a director
13 serving on the committee.

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

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

19 (b) Approve or propose to members action requiring approval of
20 members; or

21 (c) Fill vacancies on the board of directors or any of its
22 committees.

23 NEW SECTION. **Sec. 618.** STANDARDS OF CONDUCT AND LIABILITY.
24 Except as otherwise provided in section 620 of this act:

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

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

31 NEW SECTION. **Sec. 619.** CONFLICT OF INTEREST. (1) The law
32 applicable to conflicts of interest between a director of an entity
33 organized under Title 23B RCW governs conflicts of interest between a
34 limited cooperative association and a director or member of a
35 committee of the board of directors.

36 (2) A director does not have a conflict of interest under chapter
37 23.95 RCW and this chapter or the organic rules solely because the

1 director's conduct relating to the duties of the director may further
2 the director's own interest.

3 NEW SECTION. **Sec. 620.** OTHER CONSIDERATIONS OF DIRECTORS.
4 Unless the articles of organization otherwise provide, in considering
5 the best interests of a limited cooperative association, a director
6 of the association in discharging the duties of director, in
7 conjunction with considering the long and short term interest of the
8 association and its members, may consider any or all of:

9 (1) The interest of employees, customers, and suppliers of the
10 association;

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

13 (3) The environment; and

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

16 NEW SECTION. **Sec. 621.** RIGHT OF DIRECTOR OR COMMITTEE MEMBER TO
17 INFORMATION. A director or a member of a committee appointed under
18 section 617 of this act may obtain, inspect, and copy all information
19 regarding the state of activities and financial condition of the
20 limited cooperative association and other information regarding the
21 activities of the association if the information is reasonably
22 related to the performance of the director's duties as director or
23 the committee member's duties as a member of the committee.
24 Information obtained in accordance with this section may not be used
25 in any manner that would violate any duty of or to the association.

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

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

28 (a) Provided in the organic rules; or

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

31 (2) The organic rules may designate or, if the organic rules do
32 not designate, the board of directors shall designate, one of the
33 association's officers for preparing all records required by section
34 110 of this act and for the authentication of records.

35 (3) Unless the organic rules otherwise provide, the board of
36 directors shall appoint the officers of the limited cooperative
37 association.

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

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

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

10 NEW SECTION. **Sec. 623.** RESIGNATION AND REMOVAL OF OFFICERS. (1)
11 The board of directors may remove an officer at any time with or
12 without cause.

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

17 **PART 7**
18 **INDEMNIFICATION**

19 NEW SECTION. **Sec. 701.** INDEMNIFICATION AND ADVANCEMENT OF
20 EXPENSES—INSURANCE. (1) Indemnification and advancement of expenses
21 of an individual who has incurred liability or is a party, or is
22 threatened to be made a party, to litigation because of the
23 performance of a duty to, or activity on behalf of, a limited
24 cooperative association is governed by Title 23B RCW.

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

29 **PART 8**
30 **CONTRIBUTIONS, ALLOCATIONS, AND DISTRIBUTIONS**

31 NEW SECTION. **Sec. 801.** MEMBERS' CONTRIBUTIONS. Unless the
32 organic rules establish the amount, manner, or method of determining
33 any contribution requirements for members, the board of directors may
34 establish the amount, manner, or other method of determining any
35 contribution requirements for members.

1 NEW SECTION. **Sec. 802.** CONTRIBUTION AND VALUATION. (1) Unless
2 the organic rules otherwise provide, the contributions of a member to
3 a limited cooperative association may consist of property transferred
4 to, services performed for, or another benefit provided to the
5 association or an agreement to transfer property to, perform services
6 for, or provide another benefit to the association.

7 (2) The receipt and acceptance of contributions and the valuation
8 of contributions must be reflected in a limited cooperative
9 association's records.

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

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

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

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

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

32 (b) Amounts paid, due, or allocated to investor members as a
33 stated fixed return on equity are considered amounts allocated to
34 investor members.

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

39 (a) An unallocated capital reserve; and

1 (b) Reasonable unallocated reserves for specific purposes,
2 including expansion and replacement of capital assets; education,
3 training, and cooperative development; creation and distribution of
4 information concerning principles of cooperation; and community
5 responsibility.

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

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

13 (b) To investor members, if any, in the ratio of each investor
14 member's contributions to the total contributions of all investor
15 members.

16 (6) For purposes of allocation of profits and losses or specific
17 items of profits or losses of a limited cooperative association to
18 members, the organic rules may establish allocation units or methods
19 based on separate classes of members or, for patron members, on
20 class, function, division, district, department, allocation units,
21 pooling arrangements, members' contributions, or other equitable
22 methods.

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

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

31 NEW SECTION. **Sec. 805.** REDEMPTION OR REPURCHASE. Property
32 distributed to a member by a limited cooperative association, other
33 than money, may be redeemed or repurchased as provided in the organic
34 rules but a redemption or repurchase may not be made without
35 authorization by the board of directors. The board may withhold
36 authorization for any reason in its sole discretion. A redemption or
37 repurchase is treated as a distribution for purposes of section 806
38 of this act.

1 NEW SECTION. **Sec. 806.** LIMITATIONS ON DISTRIBUTIONS. (1) In

2 this section, "distribution" does not include reasonable compensation
3 for present or past services or other payments made in the ordinary
4 course of business for commodities or goods or under a bona fide
5 retirement or other bona fide benefits program.

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

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

12 (b) The association's total assets would be less than the sum of
13 its total liabilities plus the amount that would be needed, if the
14 association were to be dissolved and wound up at the time of the
15 distribution, to satisfy the preferential rights upon dissolution and
16 winding up of members whose preferential rights are superior to the
17 rights of persons receiving the distribution.

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

21 (a) Financial statements prepared on the basis of accounting
22 practices and principles that are reasonable under the circumstances;
23 or

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

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

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

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

34 (ii) The date the person entitled to the distribution ceases to
35 own the financial rights being acquired by the association in return
36 for the distribution;

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

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

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

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

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

9 (6) A limited cooperative association's indebtedness, including
10 indebtedness issued as a distribution, is not a liability for
11 purposes of subsection (2) of this section if the terms of the
12 indebtedness provide that payment of principal and interest is made
13 only if and to the extent that payment of a distribution could then
14 be made under this section. If the indebtedness is issued as a
15 distribution, each payment of principal or interest is treated as a
16 distribution, the effect of which is measured on the date the payment
17 is made.

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

22 NEW SECTION. **Sec. 807.** LIABILITY FOR IMPROPER DISTRIBUTIONS—
23 LIMITATION OF ACTION. (1) A director of a limited cooperative
24 association who votes for or assents to a distribution made in
25 violation of section 806 of this act or the association's articles of
26 organization is personally liable to the association for the amount
27 of the distribution that exceeds the amount that could have been
28 distributed without violating section 806 of this act or the articles
29 of organization if it is established that the director did not
30 perform the director's duties in compliance with section 618 of this
31 act. In any proceeding commenced under this section, a director has
32 all of the defenses ordinarily available to a director.

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

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

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

1 (3) A member who accepts a distribution made in violation of
2 section 806 of this act or the articles of organization is personally
3 liable to the corporation for the amount of any distribution received
4 by the member to the extent it exceeds the amount that could have
5 been distributed to the member without violating section 806 of this
6 act or the articles of organization, if it is established that the
7 member accepted the distribution knowing that it was made in
8 violation of section 806 of this act or the articles of organization.

9 (4) A member held liable under subsection (3) of this section for
10 an unlawful distribution is entitled to contribution from every other
11 member who could be held liable under subsection (3) of this section
12 for the unlawful distribution.

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

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

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

26 **PART 9**
27 **DISSOCIATION**

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

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

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

1 (b) It occurs before the termination of the limited cooperative
2 association and:

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

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

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

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

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

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

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

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

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

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

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

30 (A) A transfer for security purposes; or

31 (B) A charging order which has not been foreclosed;

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

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

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

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

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

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

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

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

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

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

18 (j) The association's participation in a merger under sections
19 1308 through 1313 of this act that causes the person to cease to be a
20 member.

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

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

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

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

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

1 **DISSOLUTION**

2 NEW SECTION. **Sec. 1001.** DISSOLUTION AND WINDING UP. A limited
3 cooperative association is dissolved only as provided in this section
4 and sections 1002 through 1013 of this act and upon dissolution winds
5 up in accordance with this section and sections 1002 through 1013 of
6 this act.

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

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

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

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

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

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

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

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

26 (a) The association obtained its articles of organization through
27 fraud; or

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

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

31 (a) The directors are deadlocked in the management of the
32 association's affairs, the members are unable to break the deadlock,
33 and irreparable injury to the association is occurring or is
34 threatened because of the deadlock;

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

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

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

6 NEW SECTION. **Sec. 1004.** VOLUNTARY DISSOLUTION BEFORE
7 COMMENCEMENT OF ACTIVITY. A majority of the organizers or initial
8 directors of a limited cooperative association that has not yet begun
9 business activity or the conduct of its affairs may dissolve the
10 association.

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

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

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

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

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

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

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

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

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

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

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

- 1 (a) A different percentage that is not less than a majority of
2 members voting at the meeting;
- 3 (b) Measured against the voting power of all members; or
- 4 (c) A combination of (a) and (b) of this subsection.

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

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

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

14 (b) May:

15 (i) Deliver to the secretary of state for filing a statement of
16 dissolution stating the name of the association and that the
17 association is dissolved;

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

20 (iii) Prosecute and defend actions and proceedings, whether
21 civil, criminal, or administrative;

22 (iv) Transfer the association's property;

23 (v) Settle disputes by mediation or arbitration;

24 (vi) Deliver to the secretary of state for filing a statement of
25 termination stating the name of the company and that the company is
26 terminated; and

27 (vii) Perform other acts necessary or appropriate to the winding
28 up.

29 (3) After dissolution and upon application of a limited
30 cooperative association, a member, or a holder of financial rights, a
31 superior court may order judicial supervision of the winding up of
32 the association, including the appointment of a person to wind up the
33 association's activities, if:

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

36 (b) The applicant establishes other good cause.

37 (4) If a person is appointed pursuant to subsection (3) of this
38 section to wind up the activities of a limited cooperative
39 association, the association shall promptly deliver to the secretary

1 of state for filing an amendment to the articles of organization to
2 reflect the appointment.

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

9 (2) Rescinding dissolution under this section requires:

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

11 (b) If a statement of dissolution applicable to the limited
12 cooperative association has been filed by the secretary of state but
13 has not become effective, the delivery to the secretary of state for
14 filing of a statement of withdrawal applicable to the statement of
15 dissolution; and

16 (c) If a statement of dissolution applicable to the limited
17 cooperative association is effective, the delivery to the secretary
18 of state for filing of a statement of rescission stating the name of
19 the association and that dissolution has been rescinded under this
20 section.

21 (3) If a limited cooperative association rescinds its
22 dissolution:

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

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

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

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

32 (1) In winding up its activities and affairs, the limited cooperative
33 association shall apply its assets to discharge its obligations to
34 creditors, including members that are creditors. The association
35 shall apply any remaining assets to pay in money the net amount
36 distributable to members in accordance with their right to
37 distributions under subsection (2) of this section.

1 (2) Unless the organic rules otherwise provide, in this
2 subsection "financial interests" means the amounts recorded in the
3 names of members in the records of a limited cooperative association
4 at the time a distribution is made, including amounts paid to become
5 a member, amounts allocated but not distributed to members, and
6 amounts of distributions authorized but not yet paid to members.
7 Unless the organic rules otherwise provide, each member is entitled
8 to a distribution from the association of any remaining assets in the
9 proportion of the member's financial interests to the total financial
10 interests of the members after all other obligations are satisfied.

11 NEW SECTION. **Sec. 1009.** KNOWN CLAIMS AGAINST DISSOLVED LIMITED
12 COOPERATIVE ASSOCIATION. (1) Except as otherwise provided in
13 subsection (4) of this section, a dissolved limited cooperative
14 association may give notice of a known claim under subsection (2) of
15 this section, which has the effect provided in subsection (3) of this
16 section.

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

- 19 (a) Specify the information required to be included in a claim;
20 (b) State that a claim must be in writing and provide a mailing
21 address to which the claim is to be sent;
22 (c) State the deadline for receipt of a claim, which may not be
23 less than one hundred twenty days after the date the notice is
24 received by the claimant; and
25 (d) State that the claim will be barred if not received by the
26 deadline.

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

- 30 (a) The claim is not received by the specified deadline; or
31 (b) If the claim is timely received but rejected by the
32 association:

33 (i) The association causes the claimant to receive a notice in a
34 record stating that the claim is rejected and will be barred unless
35 the claimant commences an action against the association to enforce
36 the claim not later than ninety days after the claimant receives the
37 notice; and

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

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

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

9 (2) A notice authorized under subsection (1) of this section
10 must:

11 (a) Be published at least once in a newspaper of general
12 circulation in the county in this state in which the dissolved
13 limited cooperative association's principal office is located or, if
14 the principal office is not located in this state, in the county in
15 which the office of the association's registered agent is or was last
16 located;

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

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

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

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

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

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

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

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

38 (b) Except as provided in section 1011 of this act, if the assets
39 of the association have been distributed after dissolution, against a

1 member or holder of financial rights to the extent of that person's
2 proportionate share of the claim or the assets distributed to the
3 person after dissolution, whichever is less, but a person's total
4 liability for all claims under this subsection (4)(b) may not exceed
5 the total amount of assets distributed to the person after
6 dissolution.

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

16 (a) At the time of the application:

17 (i) Are contingent; or

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

19 (b) Are based on an event occurring after the date of
20 dissolution.

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

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

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

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

1 (1) Sell, lease, exchange, license, or otherwise dispose of all
2 or any part of the assets of the association in the usual and regular
3 course of business; or

4 (2) Mortgage, pledge, dedicate to the repayment of indebtedness,
5 or encumber in any way all or any part of the assets of the
6 association whether or not in the usual and regular course of
7 business.

8 NEW SECTION. **Sec. 1202.** MEMBER APPROVAL OF OTHER DISPOSITION OF
9 ASSETS. A sale, lease, exchange, license, or other disposition of
10 assets of a limited cooperative association, other than a disposition
11 described in section 1201 of this act, requires approval of the
12 association's members under sections 1203 and 1204 of this act if the
13 disposition leaves the association without significant continuing
14 business activity.

15 NEW SECTION. **Sec. 1203.** NOTICE AND ACTION BY BOARD OF DIRECTORS
16 ON DISPOSITION OF ASSETS REQUIRING MEMBER APPROVAL. For a limited
17 cooperative association to dispose of assets under section 1202 of
18 this act:

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

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

26 (a) The terms of the proposed disposition;

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

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

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

1 (ii) Adopt and approve the terms and conditions of the conversion
2 or merger; and

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

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

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

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

11 (e) "Interest holder liability" means:

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

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

16 (B) By the organic rules of the entity which make one or more
17 specified interest holders or categories of interest holders liable
18 in their capacity as interest holders for all or specified
19 liabilities of the entity; or

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

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

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

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

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

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

31 (k) "Protected agreement" means:

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

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

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

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

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

3 (A) Organized under chapter 23.86 RCW; or

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

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

9 (m) "Statement of conversion" means a statement under section
10 1306 of this act.

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

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

15 (2) The following definitions from RCW 23.95.105 apply to this
16 subchapter: "Domestic," "entity," "execute," "executes," and
17 "executed," "foreign," "governor," "interest," "interest holder,"
18 "jurisdiction," "jurisdiction of formation," "organic law," "organic
19 rules," "person," "private organic rules," "property," "public
20 organic record," "receipt," "record," "state," "transfer," and "type
21 of entity."

22 NEW SECTION. **Sec. 1302.** CONVERSION AUTHORIZED. By complying
23 with this section and sections 1303 through 1307 of this act, a
24 domestic qualifying entity may become a domestic limited cooperative
25 association.

26 NEW SECTION. **Sec. 1303.** PLAN OF CONVERSION. (1) A qualifying
27 entity may convert to a limited cooperative association under this
28 subchapter by approving a plan of conversion. The plan must be in a
29 record and contain:

30 (a) The name and type of entity of the converting entity;

31 (b) The name of the converted entity;

32 (c) The manner of converting the interests in the converting
33 entity into interests, securities, obligations, money, other
34 property, rights to acquire interests or securities, or any
35 combination of the foregoing;

36 (d) The proposed public organic record of the converted entity if
37 it will be a filing entity;

1 (e) The full text of the private organic rules of the converted
2 entity which are proposed to be in a record;

3 (f) The other terms and conditions of the conversion; and

4 (g) Any other provision required by the law of this state or the
5 organic rules of the converting entity.

6 (2) In addition to the requirements of subsection (1) of this
7 section, a plan of conversion may contain any other provision not
8 prohibited by law.

9 NEW SECTION. **Sec. 1304.** APPROVAL OF CONVERSION. A plan of
10 conversion is not effective unless it has been approved:

11 (1) By a converting entity:

12 (a) In accordance with the requirements, if any, in its organic
13 rules for approval of a conversion; or

14 (b) By all of the interest holders of the entity entitled to vote
15 on or consent to any matter if neither the entity's organic law nor
16 the entity's organic rules provide for approval of a conversion; and

17 (2) In a record, by each interest holder of a converting entity
18 which will have interest holder liability for debts, obligations, and
19 other liabilities that are incurred after the conversion becomes
20 effective, unless, in the case of an entity that is not a business or
21 nonprofit corporation:

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

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

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

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

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

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

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

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

12 (2) After a plan of conversion has been approved and before a
13 statement of conversion is effective, the plan may be abandoned as
14 provided in the plan. Unless prohibited by the plan, a converting
15 entity may abandon the plan in the same manner as the plan was
16 approved.

17 (3) If a plan of conversion is abandoned after a statement of
18 conversion has been delivered to the secretary of state for filing
19 and before the statement is effective, a statement of abandonment,
20 executed by the converting entity, must be delivered to the secretary
21 of state for filing before the statement of conversion is effective.
22 The statement of abandonment takes effect on filing, and the
23 conversion is abandoned and does not become effective. The statement
24 of abandonment must contain:

25 (a) The name of the converting entity;

26 (b) The date on which the statement of conversion was filed by
27 the secretary of state; and

28 (c) A statement that the conversion has been abandoned in
29 accordance with this section.

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

33 (2) A statement of conversion must contain:

34 (a) The name, jurisdiction of formation, and type of entity of
35 the converting entity;

36 (b) The name of the converted entity;

37 (c) If the statement of conversion is not to be effective upon
38 filing, the later date and time on which it will become effective,
39 which may not be more than ninety days after the date of filing;

1 (d) A statement that the plan of conversion was approved in
2 accordance with this subchapter; and

3 (e) The public organic record of the converted entity, as an
4 attachment.

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

8 (4) The public organic record of the converted entity must
9 satisfy the requirements of the law of this state, except that the
10 public organic record does not need to be executed and may omit any
11 provision that is not required to be included in a restatement of the
12 public organic record.

13 (5) A plan of conversion that is executed by a converting entity
14 and meets all the requirements of subsection (2) of this section may
15 be delivered to the secretary of state for filing instead of a
16 statement of conversion and on filing has the same effect. If a plan
17 of conversion is filed as provided in this subsection, references in
18 this subchapter to a statement of conversion refer to the plan of
19 conversion filed under this subsection.

20 (6) A statement of conversion is effective on the date and time
21 of filing or the later date and time specified in the statement of
22 conversion.

23 (7) The conversion becomes effective when the statement of
24 conversion is effective.

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

27 (a) The converted entity is:

28 (i) Organized under and subject to the organic law of the
29 converted entity; and

30 (ii) The same entity without interruption as the converting
31 entity;

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

34 (c) All debts, obligations, and other liabilities of the
35 converting entity continue as debts, obligations, and other
36 liabilities of the converted entity;

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

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

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

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

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

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

17 (3) When a conversion becomes effective, a person that did not
18 have interest holder liability with respect to the converting entity
19 and becomes subject to interest holder liability with respect to a
20 domestic entity as a result of the conversion has interest holder
21 liability only to the extent provided by the organic law of the
22 entity and only for those debts, obligations, and other liabilities
23 that are incurred after the conversion becomes effective.

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

28 (a) The conversion does not discharge any interest holder
29 liability under the organic law of the converting entity to the
30 extent the interest holder liability was incurred before the
31 conversion became effective.

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

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

39 (d) The person has whatever rights of contribution from any other
40 person as are provided by other law or the organic rules of the

1 converting entity with respect to any interest holder liability
2 preserved under (a) of this subsection as if the conversion had not
3 occurred.

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

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

10 (a) One or more domestic limited cooperative associations may
11 merge with one or more domestic cooperative associations organized
12 under this chapter or chapter 23.86 or 24.06 RCW or with one or more
13 foreign cooperative associations into a domestic surviving
14 cooperative association or foreign surviving cooperative association;
15 and

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

18 (2) Except as otherwise provided in this section, by complying
19 with the provisions of this section and sections 1309 through 1313 of
20 this act applicable to foreign cooperative associations, a foreign
21 cooperative association may be a party to a merger under this section
22 and sections 1309 through 1313 of this act or may be the surviving
23 entity in such a merger if the merger is authorized by the law of the
24 foreign entity's jurisdiction of formation.

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

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

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

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

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

1 (i) Its public organic record, if any; and
2 (ii) Its private organic rules that are, or are proposed to be,
3 in a record;
4 (e) If the surviving cooperative association is to be created in
5 the merger:
6 (i) Its proposed public organic record, if any; and
7 (ii) The full text of its private organic rules that are proposed
8 to be in a record;
9 (f) The other terms and conditions of the merger; and
10 (g) Any other provision required by the law of a merging
11 cooperative association's jurisdiction of formation or the organic
12 rules of a merging cooperative association.
13 (2) In addition to the requirements of subsection (1) of this
14 section, a plan of merger may contain any other provision not
15 prohibited by law.

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

20 (2) A merger involving a domestic merging cooperative association
21 that is not a limited cooperative association is not effective unless
22 the merger is approved by that cooperative association in accordance
23 with its organic law.

24 (3) A merger involving a foreign merging cooperative association
25 is not effective unless the merger is approved by the foreign
26 cooperative association in accordance with the law of the foreign
27 cooperative association's jurisdiction of formation.

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

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

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

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

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

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

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

11 (3) After a plan of merger has been approved and before a
12 statement of merger is effective, the plan may be abandoned as
13 provided in the plan. Unless prohibited by the plan, a domestic
14 merging limited cooperative association may abandon the plan in the
15 same manner as the plan was approved.

16 (4) If a plan of merger is abandoned after a statement of merger
17 has been delivered to the secretary of state for filing and before
18 the statement is effective, a statement of abandonment, signed by a
19 party to the plan, must be delivered to the secretary of state for
20 filing before the statement of merger is effective. The statement of
21 abandonment takes effect on filing, and the merger is abandoned and
22 does not become effective. The statement of abandonment must contain:

23 (a) The name of each party to the plan of merger;

24 (b) The date on which the statement of merger was filed by the
25 secretary of state; and

26 (c) A statement that the merger has been abandoned in accordance
27 with this section.

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

31 (2) A statement of merger must contain:

32 (a) The name, jurisdiction of formation, and type of cooperative
33 association of each merging cooperative association that is not the
34 surviving entity;

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

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

1 (d) A statement that the merger was approved by each domestic
2 merging cooperative association, if any, in accordance with this
3 section and sections 1308 through 1311 and 1313 of this act and by
4 each foreign merging entity, if any, in accordance with the law of
5 its jurisdiction of formation;

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

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

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

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

19 (4) If the surviving entity is a domestic cooperative
20 association, its public organic record, if any, must satisfy the
21 requirements of the law of this state, except that the public organic
22 record does not need to be signed and may omit any provision that is
23 not required to be included in a restatement of the public organic
24 record.

25 (5) A plan of merger that is signed by all the merging
26 cooperative associations and meets all the requirements of subsection
27 (2) of this section may be delivered to the secretary of state for
28 filing instead of a statement of merger and on filing has the same
29 effect. If a plan of merger is filed as provided in this subsection,
30 references in this subchapter to a statement of merger refer to the
31 plan of merger filed under this subsection.

32 (6) A statement of merger is effective on the date and time of
33 filing or the later date and time specified in the statement of
34 merger.

35 (7) If the surviving entity is a domestic limited cooperative
36 association, the merger becomes effective when the statement of
37 merger is effective. If the surviving entity is a foreign cooperative
38 association, the merger becomes effective on the later of:

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

1 (b) When the statement is effective.

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

5 (a) The surviving cooperative association continues or comes into
6 existence;

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

9 (c) All property of each merging cooperative association vests in
10 the surviving cooperative association without transfer, reversion, or
11 impairment;

12 (d) All debts, obligations, and other liabilities of each merging
13 cooperative association are debts, obligations, and other liabilities
14 of the surviving cooperative association;

15 (e) Except as otherwise provided by law or the plan of merger,
16 all the rights, privileges, immunities, powers, and purposes of each
17 merging cooperative association vest in the surviving cooperative
18 association;

19 (f) If the surviving cooperative association exists before the
20 merger:

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

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

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

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

30 (h) If the surviving cooperative association exists before the
31 merger:

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

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

36 (i) If the surviving cooperative association is created by the
37 merger, its private organic rules are effective and its public
38 organic record is effective; and

1 (j) The interests in each merging cooperative association which
2 are to be converted in the merger are converted, and the interest
3 holders of those interests are entitled only to the rights provided
4 to them under the plan of merger and to any appraisal rights they
5 have under the merging cooperative association's organic law.

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

12 (3) When a merger under this section and sections 1308 through
13 1312 of this act becomes effective, a person that did not have
14 interest holder liability with respect to any of the merging
15 cooperative associations and becomes subject to interest holder
16 liability with respect to a domestic entity as a result of the merger
17 has interest holder liability only to the extent provided by the
18 organic law of that entity and only for those debts, obligations, and
19 other liabilities that are incurred after the merger becomes
20 effective.

21 (4) When a merger becomes effective, the interest holder
22 liability of a person that ceases to hold an interest in a domestic
23 merging limited cooperative association with respect to which the
24 person had interest holder liability is subject to the following
25 rules:

26 (a) The merger does not discharge any interest holder liability
27 under the organic law of the domestic merging cooperative association
28 to the extent the interest holder liability was incurred before the
29 merger became effective.

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

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

38 (d) The person has whatever rights of contribution from any other
39 person as are provided by law other than this subchapter or the
40 organic rules of the domestic merging limited cooperative association

1 with respect to any interest holder liability preserved under (a) of
2 this subsection as if the merger had not occurred.

3 (5) When a merger under this section and sections 1308 through
4 1312 of this act becomes effective, a foreign entity that is the
5 surviving entity may be served with process in this state for the
6 collection and enforcement of any debts, obligations, or other
7 liabilities of a domestic merging limited cooperative association in
8 accordance with applicable law.

9 (6) When a merger under this section and sections 1308 through
10 1312 of this act becomes effective, the registration to do business
11 in this state of any foreign merging cooperative association that is
12 not the surviving entity is canceled.

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

17 (2) A conversion effected under this subchapter may not create or
18 impair a right, duty, or obligation of a person under the statutory
19 law of this state relating to a change in control, takeover, business
20 combination, control-share acquisition, or similar transaction
21 involving a domestic merging, acquired, or converting cooperative
22 association unless the approval of the plan is by a vote of the
23 members or directors which would be sufficient to create or impair
24 the right, duty, or obligation directly under the law.

25 NEW SECTION. **Sec. 1315.** CHARITABLE ASSETS. Property held for a
26 charitable purpose under the law of this state by a domestic or
27 foreign cooperative association immediately before a conversion or
28 merger under this subchapter becomes effective may not, as a result
29 of the conversion or merger, be diverted from the objects for which
30 it was donated, granted, devised, or otherwise transferred unless, to
31 the extent required by or pursuant to the law of this state
32 concerning cy pres or other law dealing with nondiversion of
33 charitable assets, the entity obtains an appropriate order of the
34 attorney general specifying the disposition of the property.

35 NEW SECTION. **Sec. 1316.** STATUS OF FILINGS. A filing under this
36 subchapter executed by a domestic cooperative association becomes
37 part of the public organic record of the cooperative association if

1 the cooperative association's organic law provides that similar
2 filings under that law become part of the public organic record of
3 the cooperative association.

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

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

14 NEW SECTION. **Sec. 1319.** ALTERNATIVE MEANS OF APPROVAL OF
15 CONVERSIONS OR MERGERS. Except as otherwise provided in the organic
16 law or organic rules of a domestic cooperative association, approval
17 of a conversion or merger under this subchapter by the affirmative
18 vote or consent of all its interest holders satisfies the
19 requirements of this subchapter for approval of the conversion or
20 merger.

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

- 24 (1) Delivery of record;
25 (2) Filing with secretary of state;
26 (3) Name of entity;
27 (4) Registered agent of entity; and
28 (5) Miscellaneous provisions, including reservation or power to
29 amend or repeal and supplemental principles of law.

30 **PART 14**
31 **AMENDMENTS TO OTHER LAW**

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

1 The definitions in this section apply throughout this chapter
2 unless the context clearly requires otherwise or as set forth in RCW
3 23.95.400 or 23.95.600.

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

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

8 (3) "Commercial registered agent" means a person listed under RCW
9 23.95.420.

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

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

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

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

18 (6) "Entity" means:

19 (a) A business corporation;

20 (b) A nonprofit corporation;

21 (c) A limited liability partnership;

22 (d) A limited partnership;

23 (e) A limited liability company; (~~or~~)

24 (f) A general cooperative association; or

25 (g) A limited cooperative association.

26 (7) "Entity filing" means a record delivered to the secretary of
27 state for filing pursuant to this chapter.

28 (8) "Execute," "executes," or "executed" means:

29 (a) Signed with respect to a written record;

30 (b) Electronically transmitted along with sufficient information
31 to determine the sender's identity with respect to an electronic
32 transmission; or

33 (c) With respect to a record to be filed with the secretary of
34 state, in compliance with the standards for filing with the office of
35 the secretary of state as prescribed by the secretary of state.

36 (9) "Filed record" means a record filed by the secretary of state
37 pursuant to this chapter.

38 (10) "Foreign," with respect to an entity, means governed as to
39 its internal affairs by the law of a jurisdiction other than this
40 state.

1 (11) "General cooperative association" means a domestic general
2 cooperative association formed under or subject to chapter 23.86 RCW.

3 (12) "Governor" means:

4 (a) A director of a business corporation;

5 (b) A director of a nonprofit corporation;

6 (c) A partner of a limited liability partnership;

7 (d) A general partner of a limited partnership;

8 (e) A manager of a manager-managed limited liability company;

9 (f) A member of a member-managed limited liability company;

10 (g) A director of a general cooperative association; (~~or~~)

11 (h) A director of a limited cooperative association; or

12 (i) Any other person under whose authority the powers of an
13 entity are exercised and under whose direction the activities and
14 affairs of the entity are managed pursuant to the organic law and
15 organic rules of the entity.

16 (13) "Interest" means:

17 (a) A share in a business corporation;

18 (b) A membership in a nonprofit corporation;

19 (c) A share in a nonprofit corporation formed under chapter 24.06
20 RCW;

21 (d) A partnership interest in a limited liability partnership;

22 (e) A partnership interest in a limited partnership;

23 (f) A limited liability company interest; (~~or~~)

24 (g) A share or membership in a general cooperative association;

25 or

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

27 (14) "Interest holder" means:

28 (a) A shareholder of a business corporation;

29 (b) A member of a nonprofit corporation;

30 (c) A shareholder of a nonprofit corporation formed under chapter
31 24.06 RCW;

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

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

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

35 (g) A member of a limited liability company; (~~or~~)

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

37 or

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

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

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

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

10 (18) "Limited liability company" means a domestic limited
11 liability company formed under or subject to chapter 25.15 RCW or a
12 foreign limited liability company.

13 (~~(+18)~~) (19) "Limited liability limited partnership" means a
14 domestic limited liability limited partnership formed under or
15 subject to chapter 25.10 RCW or a foreign limited liability limited
16 partnership.

17 (~~(+19)~~) (20) "Limited liability partnership" means a domestic
18 limited liability partnership registered under or subject to chapter
19 25.05 RCW or a foreign limited liability partnership.

20 (~~(+20)~~) (21) "Limited partnership" means a domestic limited
21 partnership formed under or subject to chapter 25.10 RCW or a foreign
22 limited partnership. "Limited partnership" includes a limited
23 liability limited partnership.

24 (~~(+21)~~) (22) "Noncommercial registered agent" means a person
25 that is not a commercial registered agent and is:

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

28 (b) An individual who holds the office or other position in an
29 entity which is designated as the registered agent pursuant to RCW
30 23.95.415(1)(b)(ii); or

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

34 (~~(+22)~~) (23) "Nonprofit corporation" means a domestic nonprofit
35 corporation incorporated under or subject to chapter 24.03 or 24.06
36 RCW or a foreign nonprofit corporation.

37 (~~(+23)~~) (24) "Nonregistered foreign entity" means a foreign
38 entity that is not registered to do business in this state pursuant
39 to a statement of registration filed by the secretary of state.

1 ~~((24))~~ (25) "Organic law" means the law of an entity's
2 jurisdiction of formation governing the internal affairs of the
3 entity.

4 ~~((25))~~ (26) "Organic rules" means the public organic record and
5 private organic rules of an entity.

6 ~~((26))~~ (27) "Person" means an individual, business corporation,
7 nonprofit corporation, partnership, limited partnership, limited
8 liability company, general cooperative association, limited
9 cooperative association, unincorporated nonprofit association,
10 statutory trust, business trust, common-law business trust, estate,
11 trust, association, joint venture, public corporation, government or
12 governmental subdivision, agency, or instrumentality, or any other
13 legal or commercial entity.

14 ~~((27))~~ (28) "Principal office" means the principal executive
15 office of an entity, whether or not the office is located in this
16 state.

17 ~~((28))~~ (29) "Private organic rules" means the rules, whether or
18 not in a record, that govern the internal affairs of an entity, are
19 binding on all its interest holders, and are not part of its public
20 organic record, if any. "Private organic rules" includes:

21 (a) The bylaws of a business corporation and any agreement among
22 shareholders pursuant to RCW 23B.07.320;

23 (b) The bylaws of a nonprofit corporation;

24 (c) The partnership agreement of a limited liability partnership;

25 (d) The partnership agreement of a limited partnership;

26 (e) The limited liability company agreement; ~~((and))~~

27 (f) The bylaws of a general cooperative association; and

28 (g) The bylaws of a limited cooperative association.

29 ~~((29))~~ (30) "Proceeding" means civil suit and criminal,
30 administrative, and investigatory action.

31 ~~((30))~~ (31) "Property" means all property, whether real,
32 personal, or mixed or tangible or intangible, or any right or
33 interest therein.

34 ~~((31))~~ (32) "Public organic record" means the record the filing
35 of which by the secretary of state is required to form an entity and
36 any amendment to or restatement of that record. The term includes:

37 (a) The articles of incorporation of a business corporation;

38 (b) The articles of incorporation of a nonprofit corporation;

39 (c) The certificate of limited partnership of a limited
40 partnership;

1 (d) The certificate of formation of a limited liability company;
2 (e) The articles of incorporation of a general cooperative
3 association; (~~and~~)
4 (f) The articles of organization of a limited cooperative
5 association; and
6 (g) The document under the laws of another jurisdiction that is
7 equivalent to a document listed in this subsection.
8 (~~(32)~~) (33) "Receipt," as used in this chapter, means actual
9 receipt. "Receive" has a corresponding meaning.
10 (~~(33)~~) (34) "Record" means information inscribed on a tangible
11 medium or contained in an electronic transmission.
12 (~~(34)~~) (35) "Registered agent" means an agent of an entity
13 which is authorized to receive service of any process, notice, or
14 demand required or permitted by law to be served on the entity. The
15 term includes a commercial registered agent and a noncommercial
16 registered agent.
17 (~~(35)~~) (36) "Registered foreign entity" means a foreign entity
18 that is registered to do business in this state pursuant to a
19 certificate of registration filed by the secretary of state.
20 (~~(36)~~) (37) "State" means a state of the United States, the
21 District of Columbia, Puerto Rico, the United States Virgin Islands,
22 or any territory or insular possession subject to the jurisdiction of
23 the United States.
24 (~~(37)~~) (38) "Transfer" includes:
25 (a) An assignment;
26 (b) A conveyance;
27 (c) A sale;
28 (d) A lease;
29 (e) An encumbrance, including a mortgage or security interest;
30 (f) A change of record owner of interest;
31 (g) A gift; and
32 (h) A transfer by operation of law.
33 (~~(38)~~) (39) "Type of entity" means a generic form of entity:
34 (a) Recognized at common law; or
35 (b) Formed under an organic law, whether or not some entities
36 formed under that law are subject to provisions of that law that
37 create different categories of the form of entity.
38 (~~(39)~~) (40) "Writing" does not include an electronic
39 transmission.
40 (~~(40)~~) (41) "Written" means embodied in a tangible medium.

1 **Sec. 1402.** RCW 23.95.305 and 2015 c 176 s 1302 are each amended
2 to read as follows:

3 (1)(a) The name of a business corporation:

4 (i)(A) Except in the case of a social purpose corporation, must
5 contain the word "corporation," "incorporated," "company," or
6 "limited," or the abbreviation "Corp.," "Inc.," "Co.," or "Ltd.," or
7 words or abbreviations of similar import in another language; or

8 (B) In the case of a social purpose corporation, must contain the
9 words "social purpose corporation" or the abbreviation "SPC" or
10 "S.P.C."; and

11 (ii) Must not contain any of the following words or phrases:
12 "Bank," "banking," "banker," "trust," "cooperative," or any
13 combination of the words "industrial" and "loan," or any combination
14 of any two or more of the words "building," "savings," "loan,"
15 "home," "association," and "society," or any other words or phrases
16 prohibited by any statute of this state.

17 (b) The name of a professional service corporation must contain
18 either the words "professional service" or "professional corporation"
19 or the abbreviation "P.S." or "P.C." The name may also contain either
20 the words "corporation," "incorporated," "company," or "limited," or
21 the abbreviation "Corp.," "Inc.," "Co.," or "Ltd." The name of a
22 professional service corporation organized to render dental services
23 must contain the full names or surnames of all shareholders and no
24 other word than "chartered" or the words "professional services" or
25 the abbreviation "P.S." or "P.C."

26 (2) The name of a nonprofit corporation:

27 (a) May include "club," "league," "association," "services,"
28 "committee," "fund," "society," "foundation," "guild," ". ,
29 a nonprofit corporation," ". , a nonprofit mutual
30 corporation," or any name of like import;

31 (b) Except for nonprofit corporations formed prior to January 1,
32 1969, must not include or end with "incorporated," "company,"
33 "corporation," "partnership," "limited partnership," or "Ltd.," or
34 any abbreviation thereof; and

35 (c) May only include the term "public benefit" or names of like
36 import if the nonprofit corporation has been designated as a public
37 benefit nonprofit corporation by the secretary of state in accordance
38 with chapter 24.03 RCW.

39 (3) The name of a limited partnership may contain the name of any
40 partner. The name of a partnership that is not a limited liability

1 limited partnership must contain the words "limited partnership" or
2 the abbreviation "LP" or "L.P." and may not contain the words
3 "limited liability limited partnership" or the abbreviation "LLLP" or
4 "L.L.L.P." If the limited partnership is a limited liability limited
5 partnership, the name must contain the words "limited liability
6 limited partnership" or the abbreviation "LLLP" or "L.L.L.P." and may
7 not contain the abbreviation "LP" or "L.P."

8 (4) The name of a limited liability partnership must contain the
9 words "limited liability partnership" or the abbreviation "LLP" or
10 "L.L.P." If the name of a foreign limited liability partnership
11 contains the words "registered limited liability partnership" or the
12 abbreviation "R.L.L.P." or "RLLP," it may include those words or
13 abbreviations in its foreign registration statement.

14 (5)(a) The name of a limited liability company:

15 (i) Must contain the words "limited liability company," the words
16 "limited liability" and abbreviation "Co.," or the abbreviation
17 "L.L.C." or "LLC"; and

18 (ii) May not contain any of the following words or phrases:
19 "Cooperative," "partnership," "corporation," "incorporated," or the
20 abbreviations "Corp.," "Ltd.," or "Inc.," or "LP," "L.P.," "LLP,"
21 "L.L.P.," "LLLP," "L.L.L.P.," or any words or phrases prohibited by
22 any statute of this state.

23 (b) The name of a professional limited liability company must
24 contain either the words "professional limited liability company," or
25 the words "professional limited liability" and the abbreviation
26 "Co.," or the abbreviation "P.L.L.C." or "PLLC," provided that the
27 name of a professional limited liability company organized to render
28 dental services must contain the full names or surnames of all
29 members and no other word than "chartered" or the words "professional
30 services" or the abbreviation "P.L.L.C." or "PLLC."

31 (6) The name of a cooperative association organized under chapter
32 23.86 RCW may contain the words "corporation," "incorporated," or
33 "limited," or the abbreviation "Corp.," "Inc.," or "Ltd."

34 (7) The name of a limited cooperative association must contain
35 the phrase "limited cooperative association" or "limited cooperative"
36 or the abbreviation "L.C.A." or "LCA." "Limited" may be abbreviated
37 as "Ltd." "Cooperative" may be abbreviated as "Co-op." or "Coop."
38 "Association" may be abbreviated as "Assoc." or "Assn."

1 **Sec. 1403.** RCW 23.86.030 and 2015 c 176 s 9103 are each amended
2 to read as follows:

3 (1) The name of any association subject to this chapter must
4 comply with Article 3 of chapter 23.95 RCW.

5 (2) No corporation or association organized or doing business in
6 this state shall be entitled to use the term "cooperative" as a part
7 of its corporate or other business name or title, unless it: (a) Is
8 subject to the provisions of this chapter((7)) or chapter 23.78,
9 23.--- (the new chapter created in section 1505 of this act), or
10 31.12 RCW; (b) is subject to the provisions of chapter 24.06 RCW and
11 operating on a cooperative basis; (c) is, on July 23, 1989, an
12 organization lawfully using the term "cooperative" as part of its
13 corporate or other business name or title; or (d) is a nonprofit
14 corporation or association the voting members of which are
15 corporations or associations operating on a cooperative basis. Any
16 corporation or association violating the provisions of this section
17 may be enjoined from doing business under such name at the instance
18 of any member or any association subject to this chapter.

19 (3) A member of the board of directors or an officer of any
20 association subject to this chapter shall have the same immunity from
21 liability as is granted in RCW 4.24.264.

22 NEW SECTION. **Sec. 1404.** A new section is added to chapter 23.86
23 RCW to read as follows:

24 (1) Except as provided in subsection (2) of this section, a
25 domestic association organized under this chapter may convert to a
26 limited cooperative association pursuant to sections 1302 through
27 1314 of this act.

28 (2) This section does not apply to a domestic association
29 organized for the purpose of generating, purchasing, selling,
30 marketing, transmitting, or distributing electric energy.

31 NEW SECTION. **Sec. 1405.** A new section is added to chapter 24.06
32 RCW to read as follows:

33 (1) Except as provided in subsection (2) of this section, a
34 domestic corporation organized under this chapter, and taking the
35 election provided in RCW 24.06.032(1), may convert to a limited
36 cooperative association pursuant to sections 1302 through 1314 of
37 this act.

1 (2) This section does not apply to a domestic corporation
2 organized for the purpose of generating, purchasing, selling,
3 marketing, transmitting, or distributing electric energy.

4 **PART 15**

5 **MISCELLANEOUS PROVISIONS**

6 NEW SECTION. **Sec. 1501.** UNIFORMITY OF APPLICATION AND
7 CONSTRUCTION. In applying and construing this uniform act,
8 consideration must be given to the need to promote uniformity of the
9 law with respect to its subject matter among states that enact it.

10 NEW SECTION. **Sec. 1502.** RELATION TO ELECTRONIC SIGNATURES IN
11 GLOBAL AND NATIONAL COMMERCE ACT. This chapter modifies, limits, and
12 supersedes the electronic signatures in global and national commerce
13 act, 15 U.S.C. Section 7001 et seq., but does not modify, limit, or
14 supersede Section 101(c) of that act, 15 U.S.C. Section 7001(c) or
15 authorize electronic delivery of any of the notices described in
16 Section 103(b) of that act, 15 U.S.C. Section 7003(b).

17 NEW SECTION. **Sec. 1503.** SAVINGS CLAUSE. This act does not
18 affect an action commenced, or proceeding brought, or right accrued
19 before the effective date of this section.

20 NEW SECTION. **Sec. 1504.** SEVERABILITY CLAUSE. If any provision
21 of this act or its application to any person or circumstance is held
22 invalid, the remainder of the act or the application of the provision
23 to other persons or circumstances is not affected.

24 NEW SECTION. **Sec. 1505.** Sections 101 through 1320 and 1501
25 through 1503 of this act constitute a new chapter in Title 23 RCW.

--- END ---