



1 (d) "Contribution," except as used in section 1008(3) of this  
2 act, means a benefit that a person provides to a limited cooperative  
3 association to become or remain a member or in the person's capacity  
4 as a member.

5 (e) "Cooperative" means a limited cooperative association or an  
6 entity organized under any cooperative law of any jurisdiction.

7 (f) "Director" means a director of a limited cooperative  
8 association.

9 (g) "Distribution," except as used in section 1007(1) of this  
10 act, means a transfer of money or other property from a limited  
11 cooperative association to a member because of the member's financial  
12 rights or to a transferee of a member's financial rights.

13 (h) "Financial rights" means the right to participate in  
14 allocations and distributions as provided in sections 1001 through  
15 1010 and 1201 through 1213 of this act but does not include rights or  
16 obligations under a marketing contract governed by sections 701  
17 through 704 of this act.

18 (i) "Governance rights" means the right to participate in  
19 governance of a limited cooperative association.

20 (j) "Investor member" means a member that has made a contribution  
21 to a limited cooperative association and:

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

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

28 (k) "Limited cooperative association" means an association formed  
29 under this chapter or that becomes subject to this chapter under  
30 sections 201 through 214 of this act.

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

34 (m) "Member's interest" means the interest of a patron member or  
35 investor member under section 601 of this act.

36 (n) "Members meeting" means an annual members meeting or special  
37 meeting of members.

38 (o) "Organic rules" means the articles of organization and bylaws  
39 of a limited cooperative association.

1 (p) "Organizer" means an individual who executes the initial  
2 articles of organization.

3 (q) "Patron member" means a member that has made a contribution  
4 to a limited cooperative association and:

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

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

11 (r) "Patronage" means business transactions between a limited  
12 cooperative association and a person which entitle the person to  
13 receive financial rights based on the value or quantity of business  
14 done between the association and the person.

15 (s) "Required information" means the information a limited  
16 cooperative association is required to maintain under section 110 of  
17 this act.

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

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

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

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

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

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

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

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

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

13 (2) A limited cooperative association may be organized for any  
14 lawful purpose, regardless of whether for profit.

15 (3) Unless the articles of organization state a term for a  
16 limited cooperative association's existence, the association has  
17 perpetual duration.

18 NEW SECTION. **Sec. 105.** POWERS. A limited cooperative  
19 association has the capacity to sue and be sued in its own name and  
20 has the power to do all things necessary or convenient to carry on  
21 its activities and affairs. An association may maintain an action  
22 against a member for harm caused to the association by the member's  
23 violation of a duty to the association or of the organic law or  
24 organic rules.

25 NEW SECTION. **Sec. 106.** GOVERNING LAW. The law of this state  
26 governs:

27 (1) The internal affairs of a limited cooperative association;  
28 and

29 (2) The liability of a member as a member and a director as a  
30 director for the debts, obligations, or other liabilities of a  
31 limited cooperative association.

32 NEW SECTION. **Sec. 107.** REQUIREMENTS OF OTHER LAWS. (1) This  
33 chapter does not alter or amend any law that governs the licensing  
34 and regulation of an individual or entity in carrying on a specific  
35 business or profession even if that law permits the business or

1 profession to be conducted by a limited cooperative association, a  
2 foreign cooperative, or its members.

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

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

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

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

27 (a) State a term of existence for the association under section  
28 104(3) of this act;

29 (b) Limit or eliminate the acceptance of new or additional  
30 members by the initial board of directors under section 302(2) of  
31 this act;

32 (c) Vary the limitations on the obligations and liability of  
33 members for association obligations under section 504 of this act;

34 (d) Require a notice of an annual members meeting to state a  
35 purpose of the meeting under section 508(2) of this act;

36 (e) Vary the board of directors meeting quorum under section  
37 815(1) of this act;

1 (f) Vary the matters the board of directors may consider in  
2 making a decision under section 820 of this act;

3 (g) Specify causes of dissolution under section 1202(1) of this  
4 act;

5 (h) Delegate amendment of the bylaws to the board of directors  
6 pursuant to section 405(6) of this act;

7 (i) Provide for member approval of asset dispositions under  
8 section 1401 of this act;

9 (j) Subject to section 820 of this act, provide for the  
10 elimination or limitation of liability of a director to the  
11 association or its members for money damages pursuant to section 818  
12 of this act;

13 (k) Provide for permitting or making obligatory indemnification  
14 under section 901(1) of this act; and

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

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

19 (a) Require more information to be maintained under section 110  
20 of this act or provided to members under section 505(10) of this act;

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

23 (c) Provide for the percentage and manner of voting on amendments  
24 to the organic rules by district, class, or voting group under  
25 section 404(1) of this act;

26 (d) Provide for the percentage vote required to amend the bylaws  
27 concerning the admission of new members under section 405(5)(e) of  
28 this act;

29 (e) Provide for terms and conditions to become a member under  
30 section 502 of this act;

31 (f) Restrict the manner of conducting members meetings under  
32 sections 506(3) and 507(5) of this act;

33 (g) Designate the presiding officer of members meetings under  
34 sections 506(5) and 507(7) of this act;

35 (h) Require a statement of purposes in the annual meeting notice  
36 under section 508(2) of this act;

37 (i) Increase quorum requirements for members meetings under  
38 section 510 of this act and board of directors meetings under section  
39 815 of this act;

1 (j) Allocate voting power among members, including patron members  
2 and investor members, and provide for the manner of member voting and  
3 action as permitted by sections 511 through 517 of this act;

4 (k) Authorize investor members and expand or restrict the  
5 transferability of members' interests to the extent provided in  
6 sections 602 through 604 of this act;

7 (l) Provide for enforcement of a marketing contract under section  
8 704(1) of this act;

9 (m) Provide for qualification, election, terms, removal, filling  
10 vacancies, and member approval for compensation of directors in  
11 accordance with sections 803 through 805, 807, 809, and 810 of this  
12 act;

13 (n) Restrict the manner of conducting board meetings and taking  
14 action without a meeting under sections 811 and 812 of this act;

15 (o) Provide for frequency, location, notice, and waivers of  
16 notice for board meetings under sections 813 and 814 of this act;

17 (p) Increase the percentage of votes necessary for board action  
18 under section 816(2) of this act;

19 (q) Provide for the creation of committees of the board of  
20 directors and matters related to the committees in accordance with  
21 section 817 of this act;

22 (r) Provide for officers and their appointment, designation, and  
23 authority under section 822 of this act;

24 (s) Provide for forms and values of contributions under section  
25 1002 of this act;

26 (t) Provide for remedies for failure to make a contribution under  
27 section 1003(2) of this act;

28 (u) Provide for the allocation of profits and losses of the  
29 association, distributions, and the redemption or repurchase of  
30 distributed property other than money in accordance with sections  
31 1004 through 1007 of this act;

32 (v) Specify when a member's dissociation is wrongful and the  
33 liability incurred by the dissociating member for damage to the  
34 association under section 1101 (2) and (3) of this act;

35 (w) Provide the personal representative or other legal  
36 representative of a deceased member or a member adjudged incompetent  
37 with additional rights under section 1103 of this act;

38 (x) Increase the percentage of votes required for board of  
39 director approval of:

- 1 (i) A resolution to dissolve under section 1205(1)(a) of this  
2 act;
- 3 (ii) A proposed amendment to the organic rules under section  
4 402(1)(a) of this act; and
- 5 (iii) A proposed disposition of assets under section 1403(1) of  
6 this act; and
- 7 (y) Vary the percentage of votes required for members approval  
8 of:
- 9 (i) A resolution to dissolve under section 1205 of this act;
- 10 (ii) An amendment to the organic rules under section 405 of this  
11 act; and
- 12 (iii) A disposition of assets under section 1404 of this act.
- 13 (4) The organic rules must address members' contributions  
14 pursuant to section 1001 of this act.

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

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

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

25 (c) The initial bylaws and all amendments to and restatements of  
26 the bylaws;

27 (d) All filed articles of merger, interest exchange, conversion,  
28 and domestication;

29 (e) All financial statements of the association for the six most  
30 recent years;

31 (f) The six most recent annual reports delivered by the  
32 association to the secretary of state;

33 (g) The minutes of members meetings for the six most recent  
34 years;

35 (h) Evidence of all actions taken by members without a meeting  
36 for the six most recent years;

37 (i) A list containing:



1 (i) The name, in alphabetical order, and last known street  
2 address and, if different, mailing address of each patron member and  
3 each investor member; and

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

7 (j) The federal income tax returns, any state and local income  
8 tax returns, and any tax reports of the association for the six most  
9 recent years;

10 (k) Accounting records maintained by the association in the  
11 ordinary course of its operations for the six most recent years;

12 (l) The minutes of directors meetings for the six most recent  
13 years;

14 (m) Evidence of all actions taken by directors without a meeting  
15 for the six most recent years;

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

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

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

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

26 (r) All communications concerning the association made in a  
27 record to all members, or to all members in a district or class, for  
28 the six most recent years.

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

33 (3) The organic rules may require that more information be  
34 maintained.

35 NEW SECTION. **Sec. 111.** BUSINESS TRANSACTIONS OF MEMBER WITH  
36 LIMITED COOPERATIVE ASSOCIATION. Subject to sections 818 and 819 of  
37 this act and except as otherwise provided in the organic rules or a  
38 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 **CONVERSION**

28 NEW SECTION. **Sec. 201.** DEFINITIONS. (1) In this section and  
29 sections 202 through 214 of this act:

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

- 33 (i) Propose a conversion subject to this subchapter;  
34 (ii) Adopt and approve the terms and conditions of the  
35 conversion; and

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

3 (b) "Conversion" means a transaction authorized by sections 202  
4 through 207 of this act.

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

7 (d) "Converting entity" means the domestic entity that approves a  
8 plan of conversion pursuant to section 203 of this act.

9 (e) "Interest holder liability" means:

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

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

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

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

20 (f) "Plan" or "plan of conversion" means a plan under section 203  
21 of this act.

22 (g) "Protected agreement" means:

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

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

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

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

31 (h) "Qualifying entity" means a domestic entity:

32 (i) Organized under chapter 23.86 RCW; or

33 (ii) Organized under chapter 24.06 RCW and taking the election  
34 provided in RCW 24.06.032(1).

35 (i) "Statement of conversion" means a statement under section 206  
36 of this act.

37 (j) "This subchapter" means this section and sections 202 through  
38 214 of this act.

39 (2) The following definitions from RCW 23.95.105 apply to this  
40 subchapter: "Domestic," "entity," "execute," "executes," and

1 "executed," "foreign," "governor," "interest," "interest holder,"  
2 "jurisdiction," "jurisdiction of formation," "organic law," "organic  
3 rules," "person," "private organic rules," "property," "public  
4 organic record," "receipt," "record," "state," "transfer," and "type  
5 of entity."

6 NEW SECTION. **Sec. 202.** CONVERSION AUTHORIZED. By complying with  
7 this subchapter, a domestic qualifying entity may become a domestic  
8 limited cooperative association.

9 NEW SECTION. **Sec. 203.** PLAN OF CONVERSION. (1) A qualifying  
10 entity may convert to a limited cooperative association under this  
11 subchapter by approving a plan of conversion. The plan must be in a  
12 record and contain:

- 13 (a) The name and type of entity of the converting entity;
- 14 (b) The name of the converted entity;
- 15 (c) The manner of converting the interests in the converting  
16 entity into interests, securities, obligations, money, other  
17 property, rights to acquire interests or securities, or any  
18 combination of the foregoing;
- 19 (d) The proposed public organic record of the converted entity if  
20 it will be a filing entity;
- 21 (e) The full text of the private organic rules of the converted  
22 entity which are proposed to be in a record;
- 23 (f) The other terms and conditions of the conversion; and
- 24 (g) Any other provision required by the law of this state or the  
25 organic rules of the converting entity.

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

29 NEW SECTION. **Sec. 204.** APPROVAL OF CONVERSION. A plan of  
30 conversion is not effective unless it has been approved:

- 31 (1) By a converting entity:
  - 32 (a) In accordance with the requirements, if any, in its organic  
33 rules for approval of a conversion; or
  - 34 (b) By all of the interest holders of the entity entitled to vote  
35 on or consent to any matter if neither the entity's organic law nor  
36 the entity's organic rules provide for approval of a conversion; and

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

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

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

13 NEW SECTION. **Sec. 205.** AMENDMENT OR ABANDONMENT OF PLAN OF  
14 CONVERSION. (1) A plan of conversion of a converting entity may be  
15 amended:

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

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

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

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

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

33 (2) After a plan of conversion has been approved and before a  
34 statement of conversion is effective, the plan may be abandoned as  
35 provided in the plan. Unless prohibited by the plan, a converting  
36 entity may abandon the plan in the same manner as the plan was  
37 approved.

38 (3) If a plan of conversion is abandoned after a statement of  
39 conversion has been delivered to the secretary of state for filing

1 and before the statement is effective, a statement of abandonment,  
2 executed by the converting entity, must be delivered to the secretary  
3 of state for filing before the statement of conversion is effective.  
4 The statement of abandonment takes effect on filing, and the  
5 conversion is abandoned and does not become effective. The statement  
6 of abandonment must contain:

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

12 NEW SECTION. **Sec. 206.** STATEMENT OF CONVERSION—EFFECTIVE DATE  
13 OF CONVERSION. (1) A statement of conversion must be executed by the  
14 converting entity and delivered to the secretary of state for filing.

15 (2) A statement of conversion must contain:

16 (a) The name, jurisdiction of formation, and type of entity of  
17 the converting entity;

18 (b) The name of the converted entity;

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

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

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

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

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

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

1 this subchapter to a statement of conversion refer to the plan of  
2 conversion filed under this subsection.

3 (6) A statement of conversion is effective on the date and time  
4 of filing or the later date and time specified in the statement of  
5 conversion.

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

8 NEW SECTION. **Sec. 207.** EFFECT OF CONVERSION. (1) When a  
9 conversion becomes effective:

10 (a) The converted entity is:

11 (i) Organized under and subject to the organic law of the  
12 converted entity; and

13 (ii) The same entity without interruption as the converting  
14 entity;

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

17 (c) All debts, obligations, and other liabilities of the  
18 converting entity continue as debts, obligations, and other  
19 liabilities of the converted entity;

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

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

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

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

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

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

1 (3) When a conversion becomes effective, a person that did not  
2 have interest holder liability with respect to the converting entity  
3 and becomes subject to interest holder liability with respect to a  
4 domestic entity as a result of the conversion has interest holder  
5 liability only to the extent provided by the organic law of the  
6 entity and only for those debts, obligations, and other liabilities  
7 that are incurred after the conversion becomes effective.

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

12 (a) The conversion does not discharge any interest holder  
13 liability under the organic law of the converting entity to the  
14 extent the interest holder liability was incurred before the  
15 conversion became effective.

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

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

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

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

31 NEW SECTION. **Sec. 208.** RELATIONSHIP OF PART TO OTHER LAWS. (1)  
32 This subchapter does not authorize an act prohibited by, and does not  
33 affect the application or requirements of, law other than this  
34 subchapter.

35 (2) A conversion effected under this subchapter may not create or  
36 impair a right, duty, or obligation of a person under the statutory  
37 law of this state relating to a change in control, takeover, business  
38 combination, control-share acquisition, or similar transaction  
39 involving a domestic merging, acquired, converting, or domesticating



1 business corporation unless the approval of the plan is by a vote of  
2 the members or directors which would be sufficient to create or  
3 impair the right, duty, or obligation directly under the law.

4 NEW SECTION. **Sec. 209.** CHARITABLE ASSETS. Property held for a  
5 charitable purpose under the law of this state by a domestic or  
6 foreign entity immediately before a conversion under this subchapter  
7 becomes effective may not, as a result of the conversion, be diverted  
8 from the objects for which it was donated, granted, devised, or  
9 otherwise transferred unless, to the extent required by or pursuant  
10 to the law of this state concerning cy pres or other law dealing with  
11 nondiversion of charitable assets, the entity obtains an appropriate  
12 order of the attorney general specifying the disposition of the  
13 property.

14 NEW SECTION. **Sec. 210.** STATUS OF FILINGS. A filing under this  
15 subchapter executed by a domestic entity becomes part of the public  
16 organic record of the entity if the entity's organic law provides  
17 that similar filings under that law become part of the public organic  
18 record of the entity.

19 NEW SECTION. **Sec. 211.** NONEXCLUSIVITY. The fact that a  
20 conversion under this subchapter produces a certain result does not  
21 preclude the same result from being accomplished in any other manner  
22 permitted by law other than this subchapter.

23 NEW SECTION. **Sec. 212.** REFERENCE TO EXTERNAL FACTS. A plan may  
24 refer to facts ascertainable outside the plan if the manner in which  
25 the facts will operate upon the plan is specified in the plan. The  
26 facts may include the occurrence of an event or a determination or  
27 action by a person, whether or not the event, determination, or  
28 action is within the control of a party to the conversion.

29 NEW SECTION. **Sec. 213.** ALTERNATIVE MEANS OF APPROVAL OF  
30 CONVERSIONS. Except as otherwise provided in the organic law or  
31 organic rules of a domestic entity, approval of a conversion under  
32 this subchapter by the affirmative vote or consent of all its  
33 interest holders satisfies the requirements of this subchapter for  
34 approval of the conversion.

1         NEW SECTION.    **Sec. 214.**    SUBJECTS COVERED OUTSIDE THIS PART.  The  
2 following subjects are covered in whole or in part in chapter 23.95  
3 RCW:

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

10   **PART 3**  
11   **ORGANIZATION OF LIMITED COOPERATIVE ASSOCIATION**

12         NEW SECTION.    **Sec. 301.**    FORMATION OF LIMITED COOPERATIVE  
13 ASSOCIATION—ARTICLES OF ORGANIZATION. (1) One or more persons may act  
14 as organizers to form a limited cooperative association by delivering  
15 to the secretary of state for filing articles of organization.

- 16         (2) The articles of organization must state:
  - 17         (a) The name of the limited cooperative association, which must
  - 18 comply with RCW 23.95.300 and 23.95.305(5);
  - 19         (b) The purposes for which the association is formed;
  - 20         (c) The street and mailing addresses in this state of the initial
  - 21 registered agent;
  - 22         (d) The street and mailing addresses of the initial principal
  - 23 office;
  - 24         (e) The name and street and mailing addresses of each organizer;
  - 25 and
  - 26         (f) The term for which the association is to exist if other than
  - 27 perpetual.

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

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

35         NEW SECTION.    **Sec. 302.**    ORGANIZATION OF LIMITED COOPERATIVE  
36 ASSOCIATION. (1) After a limited cooperative association is formed:

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

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

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

15 (3) Initial directors need not be members.

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

19 NEW SECTION. **Sec. 303.** BYLAWS. (1) Bylaws must be in a record  
20 and, if not stated in the articles of organization, must include:

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

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

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

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

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

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

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

1 (f) A statement concerning:  
2 (i) Whether persons that are not members but conduct business  
3 with the association may be permitted to share in allocations of  
4 profits and losses and receive distributions; and  
5 (ii) The manner in which profits and losses are allocated and  
6 distributions are made with respect to those persons; and  
7 (g) A statement of the number and terms of directors or the  
8 method by which the number and terms are determined.  
9 (2) Subject to section 109(3) of this act and the articles of  
10 organization, bylaws may contain any other provision for managing and  
11 regulating the affairs of the association.  
12 (3) In addition to amendments permitted under sections 401  
13 through 407 of this act, the initial board of directors may amend the  
14 bylaws by a majority vote of the directors at any time before the  
15 admission of members.

16 NEW SECTION. **Sec. 304.** EXECUTING OF RECORDS TO BE DELIVERED FOR  
17 FILING TO SECRETARY OF STATE. A record delivered to the secretary of  
18 state for filing pursuant to chapter 23.95 RCW and this chapter must  
19 be executed as follows:

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

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

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

28 (4) A record filed on behalf of a dissolved association must be  
29 executed by a person winding up activities under section 1206(2) of  
30 this act or a person appointed under section 1206(3) of this act to  
31 wind up those activities.

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

34 **PART 4**  
35 **AMENDMENT OF ORGANIC RULES OF LIMITED COOPERATIVE**  
36 **ASSOCIATION**

1        NEW SECTION.    **Sec. 401.**    AUTHORITY TO AMEND ORGANIC RULES. (1) A  
2 limited cooperative association may amend its organic rules under  
3 this chapter for any lawful purpose. In addition, the initial board  
4 of directors may amend the bylaws of an association under section 303  
5 of this act.

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

11       NEW SECTION.    **Sec. 402.**    NOTICE AND ACTION ON AMENDMENT OF  
12 ORGANIC RULES. (1) Except as provided in sections 401(1) and 405(6)  
13 of this act, the organic rules of a limited cooperative association  
14 may be amended only at a members meeting. An amendment may be  
15 proposed by either:

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

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

20        (2) The board of directors shall call a members meeting to  
21 consider an amendment proposed pursuant to subsection (1) of this  
22 section. The meeting must be held not later than ninety days  
23 following the proposal of the amendment by the board or receipt of a  
24 petition. The board must mail or otherwise transmit or deliver in a  
25 record to each member:

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

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

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

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

1        NEW SECTION.    **Sec. 403.**    METHOD OF VOTING ON AMENDMENT OF ORGANIC  
2 RULES. (1) A substantive change to a proposed amendment of the  
3 organic rules may not be made at the members meeting at which a vote  
4 on the amendment occurs.

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

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

12       NEW SECTION.    **Sec. 404.**    VOTING BY DISTRICT, CLASS, OR VOTING  
13 GROUP. (1) This section applies if the organic rules provide for  
14 voting by district or class, or if there is one or more identifiable  
15 voting groups that a proposed amendment to the organic rules would  
16 affect differently from other members with respect to matters  
17 identified in section 405(5) (a) through (e) of this act. Approval of  
18 the amendment requires the same percentage of votes of the members of  
19 that district, class, or voting group required in sections 405 and  
20 514 of this act.

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

27       NEW SECTION.    **Sec. 405.**    APPROVAL OF AMENDMENT. (1) Subject to  
28 section 404 of this act and subsections (3) and (4) of this section,  
29 an amendment to the articles of organization must be approved by:

30       (a) At least two-thirds of the voting power of members present at  
31 a members meeting called under section 402 of this act; and

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

35       (2) Subject to section 404 of this act and subsections (3)  
36 through (6) of this section, an amendment to the bylaws must be  
37 approved by:

1 (a) At least a majority vote of the voting power of all members  
2 present at a members meeting called under section 402 of this act,  
3 unless the organic rules require a greater percentage; and

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

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

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

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

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

13 (4) Consent in a record by a member must be delivered to a  
14 limited cooperative association before delivery of an amendment to  
15 the articles of organization or restated articles of organization for  
16 filing pursuant to section 407 of this act, if as a result of the  
17 amendment the member will have:

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

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

20 (5) The vote required to amend bylaws must satisfy the  
21 requirements of subsection (1) of this section if the proposed  
22 amendment modifies:

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

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

29 (c) The manner or method of allocation of profits or losses among  
30 members;

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

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

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

39 (7) If the articles of organization delegate amendment of bylaws  
40 to the board of directors, the board shall provide a description of

1 any amendment of the bylaws made by the board to the members in a  
2 record not later than thirty days after the amendment, but the  
3 description may be provided at the next annual members meeting if the  
4 meeting is held within the thirty-day period.

5 NEW SECTION. **Sec. 406.** RESTATED ARTICLES OF ORGANIZATION. A  
6 limited cooperative association, by the affirmative vote of a  
7 majority of the board of directors taken at a meeting for which the  
8 purpose is stated in the notice of the meeting, may adopt restated  
9 articles of organization that contain the original articles as  
10 previously amended. Restated articles may contain amendments if the  
11 restated articles are adopted in the same manner and with the same  
12 vote as required for amendments to the articles under section 405(1)  
13 of this act. Upon filing, restated articles supersede the existing  
14 articles and all amendments.

15 NEW SECTION. **Sec. 407.** AMENDMENT OR RESTATEMENT OF ARTICLES OF  
16 ORGANIZATION—FILING. (1) To amend its articles of organization, a  
17 limited cooperative association must deliver to the secretary of  
18 state for filing an amendment of the articles, or restated articles  
19 of organization, which contain one or more amendments of the articles  
20 of organization, stating:

- 21 (a) The name of the association;
- 22 (b) The date of filing of the association's initial articles; and
- 23 (c) The text of the amendment.

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

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

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

34 (4) Upon filing, an amendment of the articles of organization or  
35 other record containing an amendment of the articles which has been  
36 properly adopted by the members is effective as provided in RCW  
37 23.95.210.



1 **PART 5**

2 **MEMBERS**

3 NEW SECTION. **Sec. 501.** MEMBERS. To begin business, a limited  
4 cooperative association must have at least two patron members unless  
5 the sole member is a cooperative.

6 NEW SECTION. **Sec. 502.** BECOMING A MEMBER. (1) If a limited  
7 cooperative association is to have only one cooperative member upon  
8 formation, the cooperative becomes a member as agreed by that  
9 cooperative and the organizer of the association. That cooperative  
10 and the organizer may be, but need not be, different persons. If  
11 different, the organizer acts on behalf of the initial cooperative  
12 member.

13 (2) If a limited cooperative association is to have more than one  
14 member upon formation, those persons become members as agreed by the  
15 persons before the formation of the association. The organizer acts  
16 on behalf of the persons in forming the association and may be, but  
17 need not be, one of the persons.

18 (3) After formation of a limited cooperative association, a  
19 person becomes a member:

20 (a) As provided in the organic rules;

21 (b) As the result of a conversion effective under sections 201  
22 through 214 of this act;

23 (c) With the affirmative vote or consent of all the members; or

24 (d) As provided in section 1202(3) of this act.

25 NEW SECTION. **Sec. 503.** NO AGENCY POWER OF MEMBER AS MEMBER. (1)  
26 A member is not an agent of a limited cooperative association solely  
27 by reason of being a member.

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

31 NEW SECTION. **Sec. 504.** LIABILITY OF MEMBERS AND DIRECTORS. (1)  
32 A debt, obligation, or other liability of a limited cooperative  
33 association is solely the debt, obligation, or other liability of the  
34 association. A member or director is not personally liable, directly  
35 or indirectly, by way of contribution or otherwise, for a debt,  
36 obligation, or other liability of the association solely by reason of

1 being or acting as a member or director of the association. This  
2 subsection applies regardless of the dissolution of the association.

3 (2) The failure of a limited cooperative association to observe  
4 formalities relating to the exercise of its powers or management of  
5 its activities and affairs is not grounds for imposing liability on  
6 any member or director for a debt, obligation, or other liability of  
7 the association.

8 NEW SECTION. **Sec. 505.** RIGHT OF MEMBERS AND DISSOCIATED MEMBERS  
9 TO INFORMATION. (1) On reasonable notice, a member may inspect and  
10 copy during regular business hours, at the principal office or a  
11 reasonable location specified by the limited cooperative association,  
12 required information listed in sections 110(1) (a) through (h) of  
13 this act. A member need not have any particular purpose for seeking  
14 the information. The association is not required to provide the same  
15 information listed in section 110(1) (a) through (h) of this act to  
16 the same member more than once during a six-month period.

17 (2) On reasonable notice, a member may inspect and copy during  
18 regular business hours, at the principal office or a reasonable  
19 location specified by the limited cooperative association, required  
20 information listed in section 110(1) (i), (j), (l), (m), (p), and (r)  
21 of this act, if:

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

24 (b) The demand includes a description with reasonable  
25 particularity of the information sought and the purpose for seeking  
26 the information;

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

29 (d) The demand is reasonable.

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

34 (a) If the association agrees to provide the demanded  
35 information:

36 (i) What information the association will provide in response to  
37 the demand; and

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

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

3 (4) On ten days' demand made in a record received by a limited  
4 cooperative association, a dissociated member may have access to  
5 information to which the person was entitled while a member if the  
6 information pertains to the period during which the person was a  
7 member, the person seeks the information in good faith, and the  
8 person satisfies the requirements imposed on a member by subsection  
9 (2)(b) of this section. The association shall respond to a demand  
10 made pursuant to this subsection in the manner provided in subsection  
11 (2)(c) of this section.

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

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

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

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

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

37 (10) The organic rules may require a limited cooperative  
38 association to provide more information than required by this section  
39 and may establish conditions and procedures for providing the  
40 information.

1        NEW SECTION.    **Sec. 506.**    ANNUAL MEETING OF MEMBERS. (1) Members

2 shall meet annually at a time provided in the organic rules or set by  
3 the board of directors not inconsistent with the organic rules.

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

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

8        (i) If the board of directors or another person is authorized in  
9 the bylaws to determine the place of annual meetings, the board of  
10 directors or such other person may, in the sole discretion of the  
11 board of directors or such other person, determine that an annual  
12 meeting will not involve a physical assembly of shareholders at a  
13 particular geographic location, but instead will be held solely by  
14 means of remote communication, in accordance with this subsection  
15 (3).

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

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

24        (i) The notice of the meeting must specify how a shareholder may  
25 participate in the meeting by means of remote communication.

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

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

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

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

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

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

10 NEW SECTION. **Sec. 507.** SPECIAL MEETING OF MEMBERS. (1) A  
11 special meeting of members may be called only:

- 12 (a) As provided in the organic rules;
- 13 (b) By a majority vote of the board of directors on a proposal  
14 stating the purpose of the meeting;
- 15 (c) By demand in a record executed by members holding at least  
16 twenty percent of the voting power of the persons in any district or  
17 class entitled to vote on the matter that is the purpose of the  
18 meeting stated in the demand; or
- 19 (d) By demand in a record executed by members holding at least  
20 ten percent of the total voting power of all the persons entitled to  
21 vote on the matter that is the purpose of the meeting stated in the  
22 demand.

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

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

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

33 (5) Unless the organic rules otherwise provide, members may  
34 attend or conduct a special meeting of members through the use of any  
35 means of communication if all members attending the meeting can  
36 communicate with each other during the meeting.

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

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

4 NEW SECTION. **Sec. 508.** NOTICE OF MEMBERS MEETING. (1) A limited  
5 cooperative association shall notify each member of the time, date,  
6 and place of a members meeting at least ten and not more than one  
7 hundred twenty days before the meeting.

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

11 (3) Notice of a special meeting of members must include each  
12 purpose of the meeting as contained in the demand under section  
13 507(1) (c) or (d) of this act or as voted upon by the board of  
14 directors under section 507(1)(b) of this act.

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

17 NEW SECTION. **Sec. 509.** WAIVER OF MEMBERS MEETING NOTICE. (1) A  
18 member may waive notice of a members meeting before, during, or after  
19 the meeting.

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

25 NEW SECTION. **Sec. 510.** QUORUM OF MEMBERS. Unless the organic  
26 rules otherwise require a greater number of members or percentage of  
27 the voting power, the voting member or members present at a members  
28 meeting constitute a quorum.

29 NEW SECTION. **Sec. 511.** VOTING BY PATRON MEMBERS. Except as  
30 provided by section 512(1) of this act, each patron member has one  
31 vote. The organic rules may allocate voting power among patron  
32 members as provided in section 512(1) of this act.

33 NEW SECTION. **Sec. 512.** ALLOCATION OF VOTING POWER OF PATRON  
34 MEMBER. (1) The organic rules may allocate voting power among patron  
35 members on the basis of one or a combination of the following:

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

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

9 NEW SECTION. **Sec. 513.** VOTING BY INVESTOR MEMBERS. If the  
10 organic rules provide for investor members, each investor member has  
11 one vote, unless the organic rules otherwise provide. The organic  
12 rules may provide for the allocation of investor member voting power  
13 by class, classes, or any combination of classes.

14 NEW SECTION. **Sec. 514.** VOTING REQUIREMENTS FOR MEMBERS. If a  
15 limited cooperative association has both patron and investor members,  
16 the following rules apply:

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

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

21 (a) All members voting at the meeting unless more than a majority  
22 is required by sections 401 through 407, 1201 through 1213, or 1401  
23 through 1404 of this act or the organic rules; and

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

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

29 NEW SECTION. **Sec. 515.** MANNER OF VOTING. (1) Unless the organic  
30 rules otherwise provide, voting by a proxy at a members meeting is  
31 prohibited. This subsection does not prohibit delegate voting based  
32 on district or class.

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

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

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

6 NEW SECTION. **Sec. 516.** ACTION WITHOUT A MEETING. (1) Unless the  
7 organic rules require that action be taken only at a members meeting,  
8 any action that may be taken by the members may be taken without a  
9 meeting if each member entitled to vote on the action consents in a  
10 record to the action.

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

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

16 NEW SECTION. **Sec. 517.** DISTRICTS AND DELEGATES—CLASSES OF  
17 MEMBERS. (1) The organic rules may provide for the formation of  
18 geographic districts of patron members and:

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

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

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

26 (3) The organic rules may provide for the establishment of  
27 classes of members, for the preferences, rights, and limitations of  
28 the classes, and:

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

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

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

36 **PART 6**

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



1        NEW SECTION.    **Sec. 601.**    MEMBER'S INTEREST. A member's interest:

2        (1) Is personal property;

3        (2) Consists of:

4        (a) Governance rights;

5        (b) Financial rights; and

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

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

9        NEW SECTION.    **Sec. 602.**    PATRON AND INVESTOR MEMBERS' INTERESTS.

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

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

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

16       (b) If admitted as an investor member, remains an investor  
17 member; and

18       (c) If admitted as a patron member and investor member remains a  
19 patron and investor member if not dissociated in one of the  
20 capacities.

21       NEW SECTION.    **Sec. 603.**    TRANSFERABILITY OF MEMBER'S INTEREST.

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

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

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

29       (4) The terms of any restriction on transferability of financial  
30 rights must be:

31       (a) Set forth in the organic rules and the member records of the  
32 association; and

33       (b) Conspicuously noted on any certificates evidencing a member's  
34 interest.

35       (5) A transferee of a member's financial rights, to the extent  
36 the rights are transferred, has the right to share in the allocation  
37 of profits or losses and to receive the distributions to the member

1 transferring the interest to the same extent as the transferring  
2 member.

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

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

9 (8) A transfer of a member's financial rights in violation of a  
10 restriction on transfer contained in the organic rules is ineffective  
11 if the intended transferee has notice of the restriction at the time  
12 of transfer.

13 NEW SECTION. **Sec. 604.** SECURITY INTEREST AND SET-OFF. (1) A  
14 member or transferee may create an enforceable security interest in  
15 its financial rights in a limited cooperative association.

16 (2) Unless the organic rules otherwise provide, a member may not  
17 create an enforceable security interest in the member's governance  
18 rights in a limited cooperative association.

19 (3) The organic rules may provide that a limited cooperative  
20 association has a security interest in the financial rights of a  
21 member to secure payment of any indebtedness or other obligation of  
22 the member to the association. A security interest provided for in  
23 the organic rules is enforceable under, and governed by, chapter  
24 62A.9A RCW.

25 (4) Unless the organic rules otherwise provide, a member may not  
26 compel the limited cooperative association to offset financial rights  
27 against any indebtedness or obligation owed to the association.

28 NEW SECTION. **Sec. 605.** CHARGING ORDER. (1) On application by a  
29 judgment creditor of a member or transferee, a court may enter a  
30 charging order against the financial rights of the judgment debtor  
31 for the unsatisfied amount of the judgment. Except as otherwise  
32 provided in subsection (6) of this section, a charging order  
33 constitutes a lien on the judgment debtor's financial rights and  
34 requires the limited cooperative association to pay over to the  
35 person to which the charging order was issued any distribution that  
36 otherwise would be paid to the judgment debtor.

1 (2) To the extent necessary to effectuate the collection of  
2 distributions pursuant to a charging order under subsection (1) of  
3 this section, the court may:

4 (a) Appoint a receiver of the distributions subject to the  
5 charging order, with the power to make all inquiries the judgment  
6 debtor might have made; and

7 (b) Make all other orders necessary to give effect to the  
8 charging order.

9 (3) Upon a showing that distributions under a charging order will  
10 not pay the judgment debt within a reasonable time, the court may  
11 foreclose the lien and order the sale of the financial rights. Except  
12 as otherwise provided in subsection (6) of this section, the  
13 purchaser at the foreclosure sale obtains only the financial rights  
14 that are subject to the charging order, does not thereby become a  
15 member, and is subject to section 603 of this act.

16 (4) At any time before foreclosure under subsection (3) of this  
17 section, the member or transferee whose financial rights are subject  
18 to a charging order under subsection (1) of this section may  
19 extinguish the charging order by satisfying the judgment and filing a  
20 certified copy of the satisfaction with the court that issued the  
21 charging order.

22 (5) At any time before foreclosure under subsection (3) of this  
23 section, the limited cooperative association or one or more members  
24 whose financial rights are not subject to the charging order may pay  
25 to the judgment creditor the full amount due under the judgment and  
26 thereby succeed to the rights of the judgment creditor, including the  
27 charging order. Unless the organic rules otherwise provide, the  
28 association may act under this subsection only with the consent of  
29 all members whose financial rights are not subject to the charging  
30 order.

31 (6) If a court forecloses a charging order lien against the sole  
32 member of a limited cooperative association:

33 (a) The court shall confirm the sale;

34 (b) The purchaser at the sale obtains the member's entire  
35 interest, not only the member's financial rights;

36 (c) The purchaser thereby becomes a member; and

37 (d) The person whose interest was subject to the foreclosed  
38 charging order is dissociated as a member.

1 (7) This chapter does not deprive any member or transferee of the  
2 benefit of any exemption law applicable to the member's or  
3 transferee's financial rights.

4 (8) This section provides the exclusive remedy by which a person  
5 seeking in the capacity of judgment creditor to enforce a judgment  
6 against a member or transferee may satisfy the judgment from the  
7 judgment debtor's financial rights.

8 **PART 7**

9 **MARKETING CONTRACTS**

10 NEW SECTION. **Sec. 701.** AUTHORITY. In this section and sections  
11 702 through 704 of this act, "marketing contract" means a contract  
12 between a limited cooperative association and another person, which  
13 need not be a patron member:

14 (1) Requiring the other person to sell, or deliver for sale or  
15 marketing on the person's behalf, a specified part of the person's  
16 products, commodities, or goods exclusively to or through the  
17 association or any facilities furnished by the association; or

18 (2) Authorizing the association to act for the person in any  
19 manner with respect to the products, commodities, or goods.

20 NEW SECTION. **Sec. 702.** MARKETING CONTRACTS. (1) If a marketing  
21 contract provides for the sale of products, commodities, or goods to  
22 a limited cooperative association, the sale transfers title to the  
23 association upon delivery or at any other specific time expressly  
24 provided by the contract.

25 (2) A marketing contract may:

26 (a) Authorize a limited cooperative association to create an  
27 enforceable security interest in the products, commodities, or goods  
28 delivered; and

29 (b) Allow the association to sell the products, commodities, or  
30 goods delivered and pay the sales price on a pooled or other basis  
31 after deducting selling costs, processing costs, overhead, expenses,  
32 and other charges.

33 (3) Some or all of the provisions of a marketing contract between  
34 a patron member and a limited cooperative association may be  
35 contained in the organic rules.

1 NEW SECTION. **Sec. 703.** DURATION OF MARKETING CONTRACT. The  
2 initial duration of a marketing contract may not exceed ten years,  
3 but the contract may be self-renewing for additional periods not  
4 exceeding five years each. Unless the contract provides for another  
5 manner or time for termination, either party may terminate the  
6 contract by giving notice in a record at least ninety days before the  
7 end of the current term.

8 NEW SECTION. **Sec. 704.** REMEDIES FOR BREACH OF CONTRACT. (1)  
9 Damages to be paid to a limited cooperative association for breach or  
10 anticipatory repudiation of a marketing contract may be liquidated,  
11 but only at an amount or under a formula that is reasonable in light  
12 of the actual or anticipated harm caused by the breach or  
13 repudiation. A provision that so provides is not a penalty.

14 (2) Upon a breach of a marketing contract, whether by  
15 anticipatory repudiation or otherwise, a limited cooperative  
16 association may seek:

- 17 (a) An injunction to prevent further breach; and
- 18 (b) Specific performance.

19 (3) The remedies in this section are in addition to any other  
20 remedies available to an association under law other than this  
21 chapter.

22 **PART 8**

23 **DIRECTORS AND OFFICERS**

24 NEW SECTION. **Sec. 801.** BOARD OF DIRECTORS. (1) A limited  
25 cooperative association must have a board of directors of at least  
26 three individuals, unless the association has fewer than three  
27 members. If the association has fewer than three members, the number  
28 of directors may not be fewer than the number of members.

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

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

35 NEW SECTION. **Sec. 802.** NO LIABILITY AS DIRECTOR FOR LIMITED  
36 COOPERATIVE ASSOCIATION'S OBLIGATIONS. A debt, obligation, or other

1 liability of a limited cooperative association is solely that of the  
2 association and is not a debt, obligation, or other liability of a  
3 director solely by reason of being a director. An individual is not  
4 personally liable, directly or indirectly, for an obligation of an  
5 association solely by reason of being a director.

6 NEW SECTION. **Sec. 803.** QUALIFICATIONS OF DIRECTORS. (1) Unless  
7 the organic rules otherwise provide, and subject to subsection (3) of  
8 this section, each director of a limited cooperative association must  
9 be an individual who is a member of the association or an individual  
10 who is designated by a member that is not an individual for purposes  
11 of qualifying and serving as a director. Initial directors need not  
12 be members.

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

15 (3) If the organic rules provide for nonmember directors, the  
16 number of nonmember directors may not exceed:

17 (a) One, if there are two through four directors;

18 (b) Two, if there are five through eight directors; or

19 (c) One-third of the total number of directors if there are at  
20 least nine directors.

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

23 NEW SECTION. **Sec. 804.** ELECTION OF DIRECTORS AND COMPOSITION OF  
24 BOARD. (1) Unless the organic rules require a greater number:

25 (a) The number of directors that must be patron members may not  
26 be fewer than:

27 (i) One, if there are two or three directors;

28 (ii) Two, if there are four or five directors;

29 (iii) Three, if there are six through eight directors; or

30 (iv) One-third of the directors if there are at least nine  
31 directors; and

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

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

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

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

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

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

12 (7) Except as otherwise provided by the organic rules, subsection  
13 (5) of this section, or sections 302, 516, 517, and 809 of this act,  
14 member directors must be elected at an annual members meeting.

15 NEW SECTION. **Sec. 805.** TERM OF DIRECTOR. (1) Unless the organic  
16 rules otherwise provide, and subject to subsections (3) and (4) of  
17 this section and section 302(4) of this act, the term of a director  
18 expires at the annual members meeting following the director's  
19 election or appointment. The term of a director may not exceed three  
20 years.

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

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

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

30 NEW SECTION. **Sec. 806.** RESIGNATION OF DIRECTOR. A director may  
31 resign at any time by giving notice in a record to the limited  
32 cooperative association. Unless the notice states a later effective  
33 date, a resignation is effective when the notice is received by the  
34 association.

35 NEW SECTION. **Sec. 807.** REMOVAL OF DIRECTOR. Unless the organic  
36 rules otherwise provide, the following rules apply:

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

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

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

8 (a) Call a special meeting of members to be held not later than  
9 ninety days after receipt of the petition by the association; and

10 (b) Mail or otherwise transmit or deliver in a record to the  
11 members entitled to vote on the removal, and to the director to be  
12 removed, notice of the meeting which complies with section 508 of  
13 this act.

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

16 NEW SECTION. Sec. 808. SUSPENSION OF DIRECTOR BY BOARD. (1) A  
17 board of directors may suspend a director if, considering the  
18 director's course of conduct and the inadequacy of other available  
19 remedies, immediate suspension is necessary for the best interests of  
20 the association and the director is engaging, or has engaged, in:

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

23 (b) Gross abuse of the position of director;

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

26 (d) Any other behavior, act, or omission as provided by the  
27 organic rules.

28 (2) A suspension under subsection (1) of this section is  
29 effective for thirty days unless the board of directors calls and  
30 gives notice of a special meeting of members for removal of the  
31 director before the end of the thirty-day period in which case the  
32 suspension is effective until adjournment of the meeting or the  
33 director is removed.

34 NEW SECTION. Sec. 809. VACANCY ON BOARD. (1) Unless the organic  
35 rules otherwise provide, a vacancy on the board of directors must be  
36 filled:



1 (a) Within a reasonable time by majority vote of the remaining  
2 directors until the next annual members meeting or a special meeting  
3 of members called to fill the vacancy; and

4 (b) For the unexpired term by members at the next annual members  
5 meeting or a special meeting of members called to fill the vacancy.

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

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

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

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

16 NEW SECTION. **Sec. 810.** REMUNERATION OF DIRECTORS. Unless the  
17 organic rules otherwise provide, the board of directors may set the  
18 remuneration of directors and of nondirector committee members  
19 appointed under section 817(1) of this act.

20 NEW SECTION. **Sec. 811.** MEETINGS. (1) A board of directors shall  
21 meet at least annually and may hold meetings inside or outside this  
22 state.

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

28 NEW SECTION. **Sec. 812.** ACTION WITHOUT MEETING. (1) Unless  
29 prohibited by the organic rules, any action that may be taken by a  
30 board of directors may be taken without a meeting if each director  
31 consents in a record to the action.

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

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

1        NEW SECTION.    **Sec. 813.**    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 three days before the  
8 meeting, the notice must contain a statement of the purpose of the  
9 meeting, and the meeting is limited to the matters contained in the  
10 statement.

11       NEW SECTION.    **Sec. 814.**    WAIVER OF NOTICE OF MEETING. (1) Unless  
12 the organic rules otherwise provide, a director may waive any  
13 required notice of a meeting of the board of directors in a record  
14 before, during, or after the meeting.

15       (2) Unless the organic rules otherwise provide, a director's  
16 participation in a meeting is a waiver of notice of that meeting  
17 unless:

18       (a) 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; or

22       (b) The director promptly objects upon the introduction of any  
23 matter for which notice under section 813 of this act has not been  
24 given and does not thereafter vote in favor of or otherwise assent to  
25 the action taken on the matter.

26       NEW SECTION.    **Sec. 815.**    QUORUM. (1) Unless the articles of  
27 organization provide for a greater number, a majority of the total  
28 number of directors specified by the organic rules constitutes a  
29 quorum for a meeting of the directors.

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

35       (3) A director present at a meeting but objecting to notice under  
36 section 814(2) (a) or (b) of this act does not count toward a quorum.

1        NEW SECTION.    **Sec. 816.**    VOTING. (1) Each director shall have one  
2        vote for purposes of decisions made by the board of directors.

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

6        NEW SECTION.    **Sec. 817.**    COMMITTEES. (1) Unless the organic rules  
7        otherwise provide, a board of directors may create one or more  
8        committees and appoint one or more individuals to serve on a  
9        committee.

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

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

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

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

21       (b) Approve or propose to members action requiring approval of  
22       members; or

23       (c) Fill vacancies on the board of directors or any of its  
24       committees.

25       NEW SECTION.    **Sec. 818.**    STANDARDS OF CONDUCT AND LIABILITY.  
26       Except as otherwise provided in section 820 of this act:

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

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

33       NEW SECTION.    **Sec. 819.**    CONFLICT OF INTEREST. (1) The law  
34       applicable to conflicts of interest between a director of an entity  
35       organized under Title 23B RCW governs conflicts of interest between a  
36       limited cooperative association and a director or member of a  
37       committee of the board of directors.

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

5 NEW SECTION. **Sec. 820.** OTHER CONSIDERATIONS OF DIRECTORS.  
6 Unless the articles of organization otherwise provide, in considering  
7 the best interests of a limited cooperative association, a director  
8 of the association in discharging the duties of director, in  
9 conjunction with considering the long and short term interest of the  
10 association and its patron members, may consider:

11 (1) The interest of employees, customers, and suppliers of the  
12 association;

13 (2) The interest of the community in which the association  
14 operates; and

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

17 NEW SECTION. **Sec. 821.** RIGHT OF DIRECTOR OR COMMITTEE MEMBER TO  
18 INFORMATION. A director or a member of a committee appointed under  
19 section 817 of this act may obtain, inspect, and copy all information  
20 regarding the state of activities and financial condition of the  
21 limited cooperative association and other information regarding the  
22 activities of the association if the information is reasonably  
23 related to the performance of the director's duties as director or  
24 the committee member's duties as a member of the committee.  
25 Information obtained in accordance with this section may not be used  
26 in any manner that would violate any duty of or to the association.

27 NEW SECTION. **Sec. 822.** APPOINTMENT AND AUTHORITY OF OFFICERS.

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

29 (a) Provided in the organic rules; or

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

32 (2) The organic rules may designate or, if the organic rules do  
33 not designate, the board of directors shall designate, one of the  
34 association's officers for preparing all records required by section  
35 110 of this act and for the authentication of records.

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

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

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

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

13 NEW SECTION. **Sec. 823.** RESIGNATION AND REMOVAL OF OFFICERS. (1)  
14 The board of directors may remove an officer at any time with or  
15 without cause.

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

20 **PART 9**  
21 **INDEMNIFICATION**

22 NEW SECTION. **Sec. 901.** INDEMNIFICATION AND ADVANCEMENT OF  
23 EXPENSES—INSURANCE. (1) Indemnification and advancement of expenses  
24 of an individual who has incurred liability or is a party, or is  
25 threatened to be made a party, to litigation because of the  
26 performance of a duty to, or activity on behalf of, a limited  
27 cooperative association is governed by Title 23B RCW.

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

32 **PART 10**  
33 **CONTRIBUTIONS, ALLOCATIONS, AND DISTRIBUTIONS**

34 NEW SECTION. **Sec. 1001.** MEMBERS' CONTRIBUTIONS. The organic  
35 rules must establish the amount, manner, or method of determining any

1 contribution requirements for members or must authorize the board of  
2 directors to establish the amount, manner, or other method of  
3 determining any contribution requirements for members.

4 NEW SECTION. **Sec. 1002.** CONTRIBUTION AND VALUATION. (1) Unless  
5 the organic rules otherwise provide, the contributions of a member to  
6 a limited cooperative association may consist of property transferred  
7 to, services performed for, or another benefit provided to the  
8 association or an agreement to transfer property to, perform services  
9 for, or provide another benefit to the association.

10 (2) The receipt and acceptance of contributions and the valuation  
11 of contributions must be reflected in a limited cooperative  
12 association's records.

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

18 NEW SECTION. **Sec. 1003.** CONTRIBUTION AGREEMENTS. (1) Except as  
19 otherwise provided in the agreement, the following rules apply to an  
20 agreement made by a person before formation of a limited cooperative  
21 association to make a contribution to the association:

22 (a) The agreement is irrevocable for six months after the  
23 agreement is executed by the person unless all parties to the  
24 agreement consent to the revocation.

25 (b) If a person does not make a required contribution:

26 (i) The person is obligated, at the option of the association,  
27 once formed, to contribute money equal to the value of that part of  
28 the contribution that has not been made, and the obligation may be  
29 enforced as a debt to the association; or

30 (ii) The association, once formed, may rescind the agreement if  
31 the debt remains unpaid more than twenty days after the association  
32 demands payment from the person, and upon rescission the person has  
33 no further rights or obligations with respect to the association.

34 (2) Unless the organic rules or an agreement to make a  
35 contribution other than money to a limited cooperative association  
36 otherwise provide, if a person does not make a required contribution  
37 to an association, the person or the person's estate is obligated, at

1 the option of the association, to contribute money equal to the value  
2 of the part of the contribution which has not been made.

3 NEW SECTION. **Sec. 1004.** ALLOCATIONS OF PROFITS AND LOSSES. (1)  
4 The organic rules may provide for allocating profits of a limited  
5 cooperative association among members, among persons that are not  
6 members but conduct business with the association, to an unallocated  
7 account, or to any combination thereof. Unless the organic rules  
8 otherwise provide, losses of the association must be allocated in the  
9 same proportion as profits.

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

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

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

20 (b) Amounts paid, due, or allocated to investor members as a  
21 stated fixed return on equity are not considered amounts allocated to  
22 investor members.

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

27 (a) An unallocated capital reserve; and

28 (b) Reasonable unallocated reserves for specific purposes,  
29 including expansion and replacement of capital assets; education,  
30 training, and cooperative development; creation and distribution of  
31 information concerning principles of cooperation; and community  
32 responsibility.

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

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

1 (b) To investor members, if any, in the ratio of each investor  
2 member's contributions to the total contributions of all investor  
3 members.

4 (6) For purposes of allocation of profits and losses or specific  
5 items of profits or losses of a limited cooperative association to  
6 members, the organic rules may establish allocation units or methods  
7 based on separate classes of members or, for patron members, on  
8 class, function, division, district, department, allocation units,  
9 pooling arrangements, members' contributions, or other equitable  
10 methods.

11 NEW SECTION. **Sec. 1005.** DISTRIBUTIONS. (1) Unless the organic  
12 rules otherwise provide and subject to section 1007 of this act, the  
13 board of directors may authorize, and the limited cooperative  
14 association may make, distributions to members.

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

19 NEW SECTION. **Sec. 1006.** REDEMPTION OR REPURCHASE. Property  
20 distributed to a member by a limited cooperative association, other  
21 than money, may be redeemed or repurchased as provided in the organic  
22 rules but a redemption or repurchase may not be made without  
23 authorization by the board of directors. The board may withhold  
24 authorization for any reason in its sole discretion. A redemption or  
25 repurchase is treated as a distribution for purposes of section 1007  
26 of this act.

27 NEW SECTION. **Sec. 1007.** LIMITATIONS ON DISTRIBUTIONS. (1) In  
28 this section, "distribution" does not include reasonable compensation  
29 for present or past services or other payments made in the ordinary  
30 course of business for commodities or goods or under a bona fide  
31 retirement or other bona fide benefits program.

32 (2) A limited cooperative association may not make a  
33 distribution, including a distribution under section 1208 of this  
34 act, if after the distribution:

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



1 (b) The association's total assets would be less than the sum of  
2 its total liabilities plus the amount that would be needed, if the  
3 association were to be dissolved and wound up at the time of the  
4 distribution, to satisfy the preferential rights upon dissolution and  
5 winding up of members whose preferential rights are superior to the  
6 rights of persons receiving the distribution.

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

10 (a) Financial statements prepared on the basis of accounting  
11 practices and principles that are reasonable under the circumstances;  
12 or

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

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

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

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

23 (ii) The date the person entitled to the distribution ceases to  
24 own the financial rights being acquired by the association in return  
25 for the distribution;

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

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

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

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

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

37 (6) A limited cooperative association's indebtedness, including  
38 indebtedness issued as a distribution, is not a liability for  
39 purposes of subsection (2) of this section if the terms of the  
40 indebtedness provide that payment of principal and interest is made

1 only if and to the extent that payment of a distribution could then  
2 be made under this section. If the indebtedness is issued as a  
3 distribution, each payment of principal or interest is treated as a  
4 distribution, the effect of which is measured on the date the payment  
5 is made.

6 (7) In measuring the effect of a distribution under section 1208  
7 of this act, the liabilities of a dissolved limited cooperative  
8 association do not include any claim that has been disposed of under  
9 sections 1209, 1210, or 1211 of this act.

10 NEW SECTION. **Sec. 1008.** LIABILITY FOR IMPROPER DISTRIBUTIONS—  
11 LIMITATION OF ACTION. (1) If a director of a limited cooperative  
12 association consents to a distribution made in violation of section  
13 1007 of this act and in consenting to the distribution fails to  
14 comply with section 818 of this act, the director is personally  
15 liable to the association for the amount of the distribution that  
16 exceeds the amount that could have been distributed without the  
17 violation of section 1007 of this act.

18 (2) A person that receives a distribution knowing that the  
19 distribution violated section 1007 of this act is personally liable  
20 to the limited cooperative association but only to the extent that  
21 the distribution received by the person exceeded the amount that  
22 could have been properly paid under section 1007 of this act.

23 (3) A director against whom an action is commenced because the  
24 director is liable under subsection (1) of this section may:

25 (a) Implead any other director that is liable under subsection  
26 (1) of this section and seek to enforce a right of contribution from  
27 the director; and

28 (b) Implead any person that received a distribution in violation  
29 of subsection (2) of this section and seek to enforce a right of  
30 contribution from the person in the amount the person received in  
31 violation of subsection (2) of this section.

32 (4) An action under this section is barred unless commenced not  
33 later than two years after the distribution.

34 NEW SECTION. **Sec. 1009.** RELATION TO STATE SECURITIES LAW. A  
35 patron member's interest in a limited cooperative association has the  
36 same exemption as provided for substantially similar interests in  
37 cooperatives under RCW 21.20.320(16).

1           NEW SECTION.   **Sec. 1010.**   ALTERNATIVE DISTRIBUTION OF UNCLAIMED  
2 PROPERTY,   DISTRIBUTIONS,   REDEMPTIONS,   OR   PAYMENTS.   A limited  
3 cooperative   association   may   distribute   unclaimed   property,  
4 distributions, redemptions, or payments under chapter 23.86 RCW.

5                                   **PART 11**  
6                                   **DISSOCIATION**

7           NEW SECTION.   **Sec. 1101.**   MEMBER'S DISSOCIATION. (1) A person has  
8 the power to dissociate as a member at any time.

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

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

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

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

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

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

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

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

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

34           (c) The person's entire interest is transferred in a foreclosure  
35 sale under section 605(6) of this act;

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

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

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

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

5 (A) A transfer for security purposes; or

6 (B) A charging order in effect under section 605 of this act  
7 which has not been foreclosed;

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

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

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

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

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

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

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

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

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

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

35 NEW SECTION. **Sec. 1102.** EFFECT OF DISSOCIATION. (1) When a  
36 person is dissociated as a member:

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

1 (b) Subject to section 1103 of this act, any financial rights  
2 owned by the person in the person's capacity as a member immediately  
3 before dissociation are owned by the person as a transferee.

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

8 NEW SECTION. **Sec. 1103.** POWER OF LEGAL REPRESENTATIVE OF  
9 DECEASED MEMBER. If a member dies, the deceased member's legal  
10 representative may exercise for the purposes of settling the estate,  
11 the rights the deceased member had under section 505 of this act.

12 **PART 12**  
13 **DISSOLUTION**

14 NEW SECTION. **Sec. 1201.** DISSOLUTION AND WINDING UP. A limited  
15 cooperative association is dissolved only as provided in this section  
16 and sections 1202 through 1213 of this act and upon dissolution winds  
17 up in accordance with this section and sections 1202 through 1213 of  
18 this act.

19 NEW SECTION. **Sec. 1202.** NONJUDICIAL DISSOLUTION. Except as  
20 otherwise provided in section 1203 of this act and RCW 23.95.615, a  
21 limited cooperative association is dissolved and its activities must  
22 be wound up:

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

25 (2) Upon the action of the association's organizers, board of  
26 directors, or members under section 1204 or 1205 of this act; or

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

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

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

1        NEW SECTION.    **Sec. 1203.**    JUDICIAL DISSOLUTION. A superior court  
2 may dissolve a limited cooperative association or order any action  
3 that under the circumstances is appropriate and equitable:

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

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

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

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

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

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

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

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

22        NEW SECTION.    **Sec. 1204.**    VOLUNTARY DISSOLUTION BEFORE  
23 COMMENCEMENT OF ACTIVITY. A majority of the organizers or initial  
24 directors of a limited cooperative association that has not yet begun  
25 business activity or the conduct of its affairs may dissolve the  
26 association.

27        NEW SECTION.    **Sec. 1205.**    VOLUNTARY DISSOLUTION BY THE BOARD AND  
28 MEMBERS. (1) Except as otherwise provided in section 1204 of this  
29 act, for a limited cooperative association to voluntarily dissolve:

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

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

36           (c) The board of directors must mail or otherwise transmit or  
37 deliver to each member in a record that complies with section 508 of  
38 this act:

- 1 (i) The resolution required by (a) of this subsection;
- 2 (ii) A recommendation that the members vote in favor of the  
3 resolution or, if the board determines that because of conflict of  
4 interest or other special circumstances it should not make a  
5 favorable recommendation, the basis of that determination; and
- 6 (iii) Notice of the members meeting, which must be given in the  
7 same manner as notice of a special meeting of members.
- 8 (2) Subject to subsection (3) of this section, a resolution to  
9 dissolve must be approved by:
- 10 (a) At least two-thirds of the voting power of members present at  
11 a members meeting called under subsection (1)(b) of this section; and
- 12 (b) If the limited cooperative association has investor members,  
13 at least a majority of the votes cast by patron members, unless the  
14 organic rules require a greater percentage.
- 15 (3) The organic rules may require that the percentage of votes  
16 under subsection (2)(a) of this section is:
- 17 (a) A different percentage that is not less than a majority of  
18 members voting at the meeting;
- 19 (b) Measured against the voting power of all members; or
- 20 (c) A combination of (a) and (b) of this subsection.

21 NEW SECTION. **Sec. 1206.** WINDING UP. (1) A dissolved limited  
22 cooperative association shall wind up its activities and affairs, and  
23 except as provided in section 1207 of this act, the association  
24 continues after dissolution only for the purpose of winding up.

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

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

30 (b) May:

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

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

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

38 (iv) Transfer the association's property;

39 (v) Settle disputes by mediation or arbitration;

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

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

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

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

13 (b) The applicant establishes other good cause.

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

19 NEW SECTION. **Sec. 1207.** RESCINDING DISSOLUTION. (1) A limited  
20 cooperative association may rescind its dissolution, unless a  
21 statement of termination applicable to the association is effective,  
22 a superior court has entered an order under section 1203 of this act  
23 dissolving the association, or the secretary of state has dissolved  
24 the association under RCW 23.95.610.

25 (2) Rescinding dissolution under this section requires:

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

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

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

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



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

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

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

9 NEW SECTION. **Sec. 1208.** DISTRIBUTION OF ASSETS IN WINDING UP.

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

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

26 NEW SECTION. **Sec. 1209.** KNOWN CLAIMS AGAINST DISSOLVED LIMITED  
27 COOPERATIVE ASSOCIATION. (1) Except as otherwise provided in  
28 subsection (4) of this section, a dissolved limited cooperative  
29 association may give notice of a known claim under subsection (2) of  
30 this section, which has the effect provided in subsection (3) of this  
31 section.

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

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

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

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

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

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

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

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

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

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

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

22 NEW SECTION. **Sec. 1210.** OTHER CLAIMS AGAINST DISSOLVED LIMITED  
23 COOPERATIVE ASSOCIATION. (1) A dissolved limited cooperative  
24 association may publish notice of its dissolution and request persons  
25 having claims against the association to present them in accordance  
26 with the notice.

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

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

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

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

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

9 (a) A claimant that did not receive notice in a record under  
10 section 1209 of this act;

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

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

15 (4) A claim not barred under this section or section 1209 of this  
16 act may be enforced:

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

19 (b) Except as provided in section 1211 of this act, if the assets  
20 of the association have been distributed after dissolution, against a  
21 member or holder of financial rights to the extent of that person's  
22 proportionate share of the claim or the assets distributed to the  
23 person after dissolution, whichever is less, but a person's total  
24 liability for all claims under this subsection (4)(b) may not exceed  
25 the total amount of assets distributed to the person after  
26 dissolution.

27 NEW SECTION. **Sec. 1211.** COURT PROCEEDINGS. (1) A dissolved  
28 limited cooperative association that has published a notice under  
29 section 1210 of this act may file an application with the superior  
30 court in the county where the association's principal office is  
31 located or, if the principal office is not located in this state,  
32 where the office of its registered agent is or was last located, for  
33 a determination of the amount and form of security to be provided for  
34 payment of claims that are reasonably expected to arise after the  
35 date of dissolution based on facts known to the association and:

36 (a) At the time of the application:

37 (i) Are contingent; or

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

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

3 (2) Security is not required for a claim that is or is reasonably  
4 anticipated to be barred under section 1210 of this act.

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

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

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

22 NEW SECTION. **Sec. 1212.** STATEMENT OF DISSOLUTION. (1) A limited  
23 cooperative association that has dissolved or is about to dissolve  
24 may deliver to the secretary of state for filing a statement of  
25 dissolution that states:

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

33 NEW SECTION. **Sec. 1213.** STATEMENT OF TERMINATION. (1) A  
34 dissolved limited cooperative association that has completed winding  
35 up may deliver to the secretary of state for filing a statement of  
36 termination that states:

- 37 (a) The name of the association;

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

6 **PART 13**  
7 **ACTIONS BY MEMBERS**

8 NEW SECTION. **Sec. 1301.** DIRECT ACTION BY MEMBER. (1) Subject to  
9 subsection (2) of this section, a member may maintain a direct action  
10 against another member, director, or the limited cooperative  
11 association to enforce the member's rights and protect the member's  
12 interests, including rights and interests under the organic rules or  
13 chapter 23.95 RCW and this chapter or arising independently of the  
14 membership relationship.

15 (2) A member maintaining a direct action under this section must  
16 plead and prove an actual or threatened injury that is not solely the  
17 result of an injury suffered or threatened to be suffered by the  
18 limited cooperative association.

19 NEW SECTION. **Sec. 1302.** DERIVATIVE ACTION. A member may  
20 maintain a derivative action to enforce a right of a limited  
21 cooperative association if:

22 (1) The member first makes a demand on the directors requesting  
23 that they cause the association to bring an action to enforce the  
24 right and the directors do not bring the action within a reasonable  
25 time; or

26 (2) A demand under subsection (1) of this section would be  
27 futile.

28 NEW SECTION. **Sec. 1303.** PROPER PLAINTIFF. A derivative action  
29 to enforce a right of a limited cooperative association may be  
30 maintained only by a person that is a member at the time the action  
31 is commenced and:

32 (1) Was a member when the conduct giving rise to the action  
33 occurred; or

34 (2) Whose status as a member devolved on the person by operation  
35 of law or pursuant to the terms of the organic rules from a person  
36 that was a member at the time of the conduct.

1        NEW SECTION.    **Sec. 1304.**    PLEADING. In a derivative action to  
2 enforce a right of a limited cooperative association, the complaint  
3 must state with particularity:

4        (1) The date and content of plaintiff's demand and the response  
5 to the demand by the directors; or

6        (2) Why the demand should be excused as futile.

7        NEW SECTION.    **Sec. 1305.**    APPROVAL FOR DISCONTINUANCE OR  
8 SETTLEMENT. A derivative action on behalf of a limited cooperative  
9 association may not be voluntarily dismissed or settled without the  
10 court's approval.

11       NEW SECTION.    **Sec. 1306.**    PROCEEDS AND EXPENSES. (1) Except as  
12 otherwise provided in subsection (2) of this section:

13        (a) Any proceeds or other benefits of a derivative action,  
14 whether by judgment, compromise, or settlement, belong to the limited  
15 cooperative association and not to the plaintiff; and

16        (b) If the plaintiff receives any proceeds, the plaintiff shall  
17 remit them immediately to the association.

18        (2) If a derivative action is successful in whole or in part, the  
19 court may award the plaintiff reasonable expenses, including  
20 reasonable attorneys' fees and costs, from the recovery of the  
21 limited cooperative association.

22       NEW SECTION.    **Sec. 1307.**    SPECIAL LITIGATION COMMITTEE. (1) If a  
23 limited cooperative association is named as or made a party in a  
24 derivative proceeding, the association may appoint a special  
25 litigation committee to investigate the claims asserted in the  
26 proceeding and determine whether pursuing the action is in the best  
27 interests of the company. If the association appoints a special  
28 litigation committee, on motion by the committee made in the name of  
29 the association, except for good cause shown, the court shall stay  
30 discovery for the time reasonably necessary to permit the committee  
31 to make its investigation. This subsection does not prevent the court  
32 from:

33        (a) Enforcing a person's right to information under section 505  
34 of this act; or

35        (b) Granting extraordinary relief in the form of a temporary  
36 restraining order or preliminary injunction.

1 (2) A special litigation committee must be composed of one or  
2 more disinterested and independent individuals, who may be members.

3 (3) A special litigation committee may be appointed:

4 (a) By a majority of the directors not named as parties in the  
5 proceeding; or

6 (b) If all directors are named as parties in the proceeding, by a  
7 majority of the directors named as defendants.

8 (4) After appropriate investigation, a special litigation  
9 committee may determine that it is in the best interests of the  
10 limited cooperative association that the proceeding:

11 (a) Continue under the control of the plaintiff;

12 (b) Continue under the control of the committee;

13 (c) Be settled on terms approved by the committee; or

14 (d) Be dismissed.

15 (5) After making a determination under subsection (4) of this  
16 section, a special litigation committee shall file with the court a  
17 statement of its determination and its report supporting its  
18 determination and shall serve each party with a copy of the  
19 determination and report. The court shall determine whether the  
20 members of the committee were disinterested and independent and  
21 whether the committee conducted its investigation and made its  
22 recommendation in good faith, independently, and with reasonable  
23 care, with the committee having the burden of proof. If the court  
24 finds that the members of the committee were disinterested and  
25 independent and that the committee acted in good faith,  
26 independently, and with reasonable care, the court shall enforce the  
27 determination of the committee. Otherwise, the court shall dissolve  
28 the stay of discovery entered under subsection (1) of this section  
29 and allow the action to continue under the control of the plaintiff.

30 **PART 14**

31 **DISPOSITION OF ASSETS**

32 NEW SECTION. **Sec. 1401.** DISPOSITION OF ASSETS NOT REQUIRING  
33 MEMBER APPROVAL. Unless the articles of organization otherwise  
34 provide, member approval under section 1402 of this act is not  
35 required for a limited cooperative association to:

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

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

5 NEW SECTION. **Sec. 1402.** MEMBER APPROVAL OF OTHER DISPOSITION OF  
6 ASSETS. A sale, lease, exchange, license, or other disposition of  
7 assets of a limited cooperative association, other than a disposition  
8 described in section 1401 of this act, requires approval of the  
9 association's members under sections 1403 and 1404 of this act if the  
10 disposition leaves the association without significant continuing  
11 business activity.

12 NEW SECTION. **Sec. 1403.** NOTICE AND ACTION BY BOARD OF DIRECTORS  
13 ON DISPOSITION OF ASSETS REQUIRING MEMBER APPROVAL. For a limited  
14 cooperative association to dispose of assets under section 1402 of  
15 this act:

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

19 (2) The board of directors must call a members meeting to  
20 consider the proposed disposition, hold the meeting not later than  
21 ninety days after approval of the proposed disposition by the board,  
22 and mail or otherwise transmit or deliver in a record to each member:

23 (a) The terms of the proposed disposition;

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

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

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

33 NEW SECTION. **Sec. 1404.** MEMBER ACTION ON DISPOSITION OF ASSETS.

34 (1) Subject to subsection (2) of this section, a disposition of  
35 assets under section 1402 of this act must be approved by:

36 (a) At least two-thirds of the voting power of members present at  
37 a members meeting called under section 1403(2) of this act; and



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

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

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

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

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

10 (3) Subject to any contractual obligations, after a disposition  
11 of assets is approved and at any time before the consummation of the  
12 disposition, a limited cooperative association may approve an  
13 amendment to the contract for disposition or the resolution  
14 authorizing the disposition or approve abandonment of the  
15 disposition:

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

17 (b) Except as prohibited by the resolution, with the same  
18 affirmative vote of the board of directors and of the members as was  
19 required to approve the disposition.

20 (4) The voting requirements for districts, classes, or voting  
21 groups under section 404 of this act apply to approval of a  
22 disposition of assets under this section and sections 1401 through  
23 1403 of this act.

24 **PART 15**

25 **AMENDMENTS TO OTHER LAW**

26 **Sec. 1501.** RCW 23.95.105 and 2015 c 176 s 1102 are each amended  
27 to read as follows:

28 The definitions in this section apply throughout this chapter  
29 unless the context clearly requires otherwise or as set forth in RCW  
30 23.95.400 or 23.95.600.

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

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

35 (3) "Commercial registered agent" means a person listed under RCW  
36 23.95.420.

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

1 (5) "Electronic transmission" means an electronic communication:  
2 (a) Not directly involving the physical transfer of a record in a  
3 tangible medium; and  
4 (b) That may be retained, retrieved, and reviewed by the sender  
5 and the recipient thereof, and that may be directly reproduced in a  
6 tangible medium by such a sender and recipient.

7 (6) "Entity" means:  
8 (a) A business corporation;  
9 (b) A nonprofit corporation;  
10 (c) A limited liability partnership;  
11 (d) A limited partnership;  
12 (e) A limited liability company; (~~or~~)  
13 (f) A general cooperative association; or  
14 (g) A limited cooperative association.

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

17 (8) "Execute," "executes," or "executed" means:  
18 (a) Signed with respect to a written record;  
19 (b) Electronically transmitted along with sufficient information  
20 to determine the sender's identity with respect to an electronic  
21 transmission; or  
22 (c) With respect to a record to be filed with the secretary of  
23 state, in compliance with the standards for filing with the office of  
24 the secretary of state as prescribed by the secretary of state.

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

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

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

32 (12) "Governor" means:  
33 (a) A director of a business corporation;  
34 (b) A director of a nonprofit corporation;  
35 (c) A partner of a limited liability partnership;  
36 (d) A general partner of a limited partnership;  
37 (e) A manager of a manager-managed limited liability company;  
38 (f) A member of a member-managed limited liability company;  
39 (g) A director of a general cooperative association; (~~or~~)  
40 (h) A director of a limited cooperative association; or

1        (i) Any other person under whose authority the powers of an  
2 entity are exercised and under whose direction the activities and  
3 affairs of the entity are managed pursuant to the organic law and  
4 organic rules of the entity.

5        (13) "Interest" means:

6        (a) A share in a business corporation;

7        (b) A membership in a nonprofit corporation;

8        (c) A share in a nonprofit corporation formed under chapter 24.06  
9 RCW;

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

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

12       (f) A limited liability company interest; (~~(e)~~)

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

14 or

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

16       (14) "Interest holder" means:

17       (a) A shareholder of a business corporation;

18       (b) A member of a nonprofit corporation;

19       (c) A shareholder of a nonprofit corporation formed under chapter  
20 24.06 RCW;

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

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

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

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

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

26 or

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

28       (15) "Jurisdiction(~~([,])~~)<sub>L</sub>" when used to refer to a political  
29 entity, means the United States, a state, a foreign country, or a  
30 political subdivision of a foreign country.

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

33       (17) "Limited cooperative association" means a domestic limited  
34 cooperative association formed under or subject to chapter 23.--- RCW  
35 (the new chapter created in section 1605 of this act) or a foreign  
36 limited cooperative association.

37       (18) "Limited liability company" means a domestic limited  
38 liability company formed under or subject to chapter 25.15 RCW or a  
39 foreign limited liability company.

1       ~~((18))~~ (19) "Limited liability limited partnership" means a  
2 domestic limited liability limited partnership formed under or  
3 subject to chapter 25.10 RCW or a foreign limited liability limited  
4 partnership.

5       ~~((19))~~ (20) "Limited liability partnership" means a domestic  
6 limited liability partnership registered under or subject to chapter  
7 25.05 RCW or a foreign limited liability partnership.

8       ~~((20))~~ (21) "Limited partnership" means a domestic limited  
9 partnership formed under or subject to chapter 25.10 RCW or a foreign  
10 limited partnership. "Limited partnership" includes a limited  
11 liability limited partnership.

12       ~~((21))~~ (22) "Noncommercial registered agent" means a person  
13 that is not a commercial registered agent and is:

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

16       (b) An individual who holds the office or other position in an  
17 entity which is designated as the registered agent pursuant to RCW  
18 23.95.415(1)(b)(ii); or

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

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

25       ~~((23))~~ (24) "Nonregistered foreign entity" means a foreign  
26 entity that is not registered to do business in this state pursuant  
27 to a statement of registration filed by the secretary of state.

28       ~~((24))~~ (25) "Organic law" means the law of an entity's  
29 jurisdiction of formation governing the internal affairs of the  
30 entity.

31       ~~((25))~~ (26) "Organic rules" means the public organic record and  
32 private organic rules of an entity.

33       ~~((26))~~ (27) "Person" means an individual, business corporation,  
34 nonprofit corporation, partnership, limited partnership, limited  
35 liability company, general cooperative association, limited  
36 cooperative association, unincorporated nonprofit association,  
37 statutory trust, business trust, common-law business trust, estate,  
38 trust, association, joint venture, public corporation, government or  
39 governmental subdivision, agency, or instrumentality, or any other  
40 legal or commercial entity.

1        ~~((27))~~ (28) "Principal office" means the principal executive  
2 office of an entity, whether or not the office is located in this  
3 state.

4        ~~((28))~~ (29) "Private organic rules" means the rules, whether or  
5 not in a record, that govern the internal affairs of an entity, are  
6 binding on all its interest holders, and are not part of its public  
7 organic record, if any. "Private organic rules" includes:

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

10        (b) The bylaws of a nonprofit corporation;

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

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

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

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

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

16        ~~((29))~~ (30) "Proceeding" means civil suit and criminal,  
17 administrative, and investigatory action.

18        ~~((30))~~ (31) "Property" means all property, whether real,  
19 personal, or mixed or tangible or intangible, or any right or  
20 interest therein.

21        ~~((31))~~ (32) "Public organic record" means the record the filing  
22 of which by the secretary of state is required to form an entity and  
23 any amendment to or restatement of that record. The term includes:

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

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

26        (c) The certificate of limited partnership of a limited  
27 partnership;

28        (d) The certificate of formation of a limited liability company;

29        (e) The articles of incorporation of a general cooperative  
30 association; ~~((and))~~

31        (f) The articles of organization of a limited cooperative  
32 association; and

33        (g) The document under the laws of another jurisdiction that is  
34 equivalent to a document listed in this subsection.

35        ~~((32))~~ (33) "Receipt," as used in this chapter, means actual  
36 receipt. "Receive" has a corresponding meaning.

37        ~~((33))~~ (34) "Record" means information inscribed on a tangible  
38 medium or contained in an electronic transmission.

39        ~~((34))~~ (35) "Registered agent" means an agent of an entity  
40 which is authorized to receive service of any process, notice, or

1 demand required or permitted by law to be served on the entity. The  
2 term includes a commercial registered agent and a noncommercial  
3 registered agent.

4 ~~((35))~~ (36) "Registered foreign entity" means a foreign entity  
5 that is registered to do business in this state pursuant to a  
6 certificate of registration filed by the secretary of state.

7 ~~((36))~~ (37) "State" means a state of the United States, the  
8 District of Columbia, Puerto Rico, the United States Virgin Islands,  
9 or any territory or insular possession subject to the jurisdiction of  
10 the United States.

11 ~~((37))~~ (38) "Transfer" includes:

- 12 (a) An assignment;
- 13 (b) A conveyance;
- 14 (c) A sale;
- 15 (d) A lease;
- 16 (e) An encumbrance, including a mortgage or security interest;
- 17 (f) A change of record owner of interest;
- 18 (g) A gift; and
- 19 (h) A transfer by operation of law.

20 ~~((38))~~ (39) "Type of entity" means a generic form of entity:

- 21 (a) Recognized at common law; or
- 22 (b) Formed under an organic law, whether or not some entities  
23 formed under that law are subject to provisions of that law that  
24 create different categories of the form of entity.

25 ~~((39))~~ (40) "Writing" does not include an electronic  
26 transmission.

27 ~~((40))~~ (41) "Written" means embodied in a tangible medium.

28 **Sec. 1502.** RCW 23.95.305 and 2015 c 176 s 1302 are each amended  
29 to read as follows:

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

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

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

38 (ii) Must not contain any of the following words or phrases:  
39 "Bank," "banking," "banker," "trust," "cooperative," or any

1 combination of the words "industrial" and "loan," or any combination  
2 of any two or more of the words "building," "savings," "loan,"  
3 "home," "association," and "society," or any other words or phrases  
4 prohibited by any statute of this state.

5 (b) The name of a professional service corporation must contain  
6 either the words "professional service" or "professional corporation"  
7 or the abbreviation "P.S." or "P.C." The name may also contain either  
8 the words "corporation," "incorporated," "company," or "limited," or  
9 the abbreviation "Corp.," "Inc.," "Co.," or "Ltd." The name of a  
10 professional service corporation organized to render dental services  
11 must contain the full names or surnames of all shareholders and no  
12 other word than "chartered" or the words "professional services" or  
13 the abbreviation "P.S." or "P.C."

14 (2) The name of a nonprofit corporation:

15 (a) May include "club," "league," "association," "services,"  
16 "committee," "fund," "society," "foundation," "guild," ". . . . . ,  
17 a nonprofit corporation," ". . . . . , a nonprofit mutual  
18 corporation," or any name of like import;

19 (b) Except for nonprofit corporations formed prior to January 1,  
20 1969, must not include or end with "incorporated," "company,"  
21 "corporation," "partnership," "limited partnership," or "Ltd.," or  
22 any abbreviation thereof; and

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

27 (3) The name of a limited partnership may contain the name of any  
28 partner. The name of a partnership that is not a limited liability  
29 limited partnership must contain the words "limited partnership" or  
30 the abbreviation "LP" or "L.P." and may not contain the words  
31 "limited liability limited partnership" or the abbreviation "LLLLP" or  
32 "L.L.L.P." If the limited partnership is a limited liability limited  
33 partnership, the name must contain the words "limited liability  
34 limited partnership" or the abbreviation "LLLLP" or "L.L.L.P." and may  
35 not contain the abbreviation "LP" or "L.P."

36 (4) The name of a limited liability partnership must contain the  
37 words "limited liability partnership" or the abbreviation "LLP" or  
38 "L.L.P." If the name of a foreign limited liability partnership  
39 contains the words "registered limited liability partnership" or the

1 abbreviation "R.L.L.P." or "RLLP," it may include those words or  
2 abbreviations in its foreign registration statement.

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

4 (i) Must contain the words "limited liability company," the words  
5 "limited liability" and abbreviation "Co.," or the abbreviation  
6 "L.L.C." or "LLC"; and

7 (ii) May not contain any of the following words or phrases:  
8 "Cooperative," "partnership," "corporation," "incorporated," or the  
9 abbreviations "Corp.," "Ltd.," or "Inc.," or "LP," "L.P.," "LLP,"  
10 "L.L.P.," "LLLP," "L.L.L.P.," or any words or phrases prohibited by  
11 any statute of this state.

12 (b) The name of a professional limited liability company must  
13 contain either the words "professional limited liability company," or  
14 the words "professional limited liability" and the abbreviation  
15 "Co.," or the abbreviation "P.L.L.C." or "PLLC," provided that the  
16 name of a professional limited liability company organized to render  
17 dental services must contain the full names or surnames of all  
18 members and no other word than "chartered" or the words "professional  
19 services" or the abbreviation "P.L.L.C." or "PLLC."

20 (6) The name of a cooperative association organized under chapter  
21 23.86 RCW may contain the words "corporation," "incorporated," or  
22 "limited," or the abbreviation "Corp.," "Inc.," or "Ltd."

23 (7) The name of a limited cooperative association must contain  
24 the phrase "limited cooperative association" or "limited cooperative"  
25 or the abbreviation "L.C.A." or "LCA." "Limited" may be abbreviated  
26 as "Ltd." "Cooperative" may be abbreviated as "Co-op." or "Coop."  
27 "Association" may be abbreviated as "Assoc." or "Assn."

28 **Sec. 1503.** RCW 23.86.030 and 2015 c 176 s 9103 are each amended  
29 to read as follows:

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

32 (2) No corporation or association organized or doing business in  
33 this state shall be entitled to use the term "cooperative" as a part  
34 of its corporate or other business name or title, unless it: (a) Is  
35 subject to the provisions of this chapter((7)) or chapter 23.78,  
36 23.--- (the new chapter created in section 1605 of this act), or  
37 31.12 RCW; (b) is subject to the provisions of chapter 24.06 RCW and  
38 operating on a cooperative basis; (c) is, on July 23, 1989, an  
39 organization lawfully using the term "cooperative" as part of its



1 corporate or other business name or title; or (d) is a nonprofit  
2 corporation or association the voting members of which are  
3 corporations or associations operating on a cooperative basis. Any  
4 corporation or association violating the provisions of this section  
5 may be enjoined from doing business under such name at the instance  
6 of any member or any association subject to this chapter.

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

10 NEW SECTION. **Sec. 1504.** A new section is added to chapter 23.86  
11 RCW to read as follows:

12 A domestic association organized under this chapter may convert  
13 to a limited cooperative association pursuant to sections 201 through  
14 214 of this act.

15 NEW SECTION. **Sec. 1505.** A new section is added to chapter 24.06  
16 RCW to read as follows:

17 A domestic corporation organized under this chapter, and taking  
18 the election provided in RCW 24.06.032(1), may convert to a limited  
19 cooperative association pursuant to sections 201 through 214 of this  
20 act.

21 **PART 16**

22 **MISCELLANEOUS PROVISIONS**

23 NEW SECTION. **Sec. 1601.** UNIFORMITY OF APPLICATION AND  
24 CONSTRUCTION. In applying and construing this uniform act,  
25 consideration must be given to the need to promote uniformity of the  
26 law with respect to its subject matter among states that enact it.

27 NEW SECTION. **Sec. 1602.** RELATION TO ELECTRONIC SIGNATURES IN  
28 GLOBAL AND NATIONAL COMMERCE ACT. This chapter modifies, limits, and  
29 supersedes the electronic signatures in global and national commerce  
30 act, 15 U.S.C. Section 7001 et seq., but does not modify, limit, or  
31 supersede Section 101(c) of that act, 15 U.S.C. Section 7001(c) or  
32 authorize electronic delivery of any of the notices described in  
33 Section 103(b) of that act, 15 U.S.C. Section 7003(b).

1        NEW SECTION.    **Sec. 1603.**    SAVINGS CLAUSE. This act does not  
2 affect an action commenced, or proceeding brought, or right accrued  
3 before the effective date of this section.

4        NEW SECTION.    **Sec. 1604.**    SEVERABILITY CLAUSE. If any provision  
5 of this act or its application to any person or circumstance is held  
6 invalid, the remainder of the act or the application of the provision  
7 to other persons or circumstances is not affected.

8        NEW SECTION.    **Sec. 1605.**    Sections 101 through 1404 and 1601  
9 through 1603 of this act constitute a new chapter in Title 23 RCW.

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