
BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: S-3471.1/18

ATTY/TYPIST: KS:lcl

BRIEF DESCRIPTION: Concerning limited cooperative associations.

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

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

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

8 NEW SECTION. **Sec. 101.** SHORT TITLE. This chapter may be cited
9 as the uniform business organizations code - limited cooperative
10 associations.

11 NEW SECTION. **Sec. 102.** DEFINITIONS. (1) In this chapter, except
12 for sections 201 through 214 of this act:

13 (a) "Articles of organization" means the articles of organization
14 of a limited cooperative association required by section 301 of this
15 act. The term includes the articles as amended or restated.

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

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

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, except that a
15 limited cooperative association may not be organized for the purpose
16 of generating, purchasing, selling, marketing, transmitting, or
17 distributing electric energy.

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

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

28 NEW SECTION. **Sec. 106.** GOVERNING LAW. The law of this state
29 governs:

30 (1) The internal affairs of a limited cooperative association;
31 and

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

35 NEW SECTION. **Sec. 107.** REQUIREMENTS OF OTHER LAWS. (1) This
36 chapter does not alter or amend any law that governs the licensing

1 and regulation of an individual or entity in carrying on a specific
2 business or profession even if that law permits the business or
3 profession to be conducted by a limited cooperative association, a
4 foreign cooperative, or its members.

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

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

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

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

29 (a) State a term of existence for the association under section
30 104(3) of this act;

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

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

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

1 (e) Vary the board of directors meeting quorum under section
2 815(1) of this act;

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

5 (g) Specify causes of dissolution under section 1202(1) of this
6 act;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 (i) Increase quorum requirements for members meetings under
2 section 510 of this act and board of directors meetings under section
3 815 of this act;

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

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

10 (l) Provide for enforcement of a marketing contract under section
11 704(1) of this act;

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

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

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

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

22 (q) Provide for the creation of committees of the board of
23 directors and matters related to the committees in accordance with
24 section 817 of this act;

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

27 (s) Provide for forms and values of contributions under section
28 1002 of this act;

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

31 (u) Provide for the allocation of profits and losses of the
32 association, distributions, and the redemption or repurchase of
33 distributed property other than money in accordance with sections
34 1004 through 1007 of this act;

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

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

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

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

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

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

27 (c) The initial bylaws and all amendments to and restatements of
28 the bylaws;

29 (d) All filed articles of merger, interest exchange, conversion,
30 and domestication;

31 (e) All financial statements of the association for the six most
32 recent years;

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

35 (g) The minutes of members meetings for the six most recent
36 years;

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

39 (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)(i) "Qualifying entity" means, except as provided in (h)(ii)
32 of this subsection, a domestic entity:

33 (A) Organized under chapter 23.86 RCW; or

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

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

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

1 (j) "This subchapter" means this section and sections 202 through
2 214 of this act.

3 (2) The following definitions from RCW 23.95.105 apply to this
4 subchapter: "Domestic," "entity," "execute," "executes," and
5 "executed," "foreign," "governor," "interest," "interest holder,"
6 "jurisdiction," "jurisdiction of formation," "organic law," "organic
7 rules," "person," "private organic rules," "property," "public
8 organic record," "receipt," "record," "state," "transfer," and "type
9 of entity."

10 NEW SECTION. **Sec. 202.** CONVERSION AUTHORIZED. By complying with
11 this subchapter, a domestic qualifying entity may become a domestic
12 limited cooperative association.

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

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

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

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

- 35 (1) By a converting entity:
 - 36 (a) In accordance with the requirements, if any, in its organic
37 rules for approval of a conversion; or

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

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

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

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

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

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

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

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

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

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

36 (2) After a plan of conversion has been approved and before a
37 statement of conversion is effective, the plan may be abandoned as
38 provided in the plan. Unless prohibited by the plan, a converting

1 entity may abandon the plan in the same manner as the plan was
2 approved.

3 (3) If a plan of conversion is abandoned after a statement of
4 conversion has been delivered to the secretary of state for filing
5 and before the statement is effective, a statement of abandonment,
6 executed by the converting entity, must be delivered to the secretary
7 of state for filing before the statement of conversion is effective.
8 The statement of abandonment takes effect on filing, and the
9 conversion is abandoned and does not become effective. The statement
10 of abandonment must contain:

11 (a) The name of the converting entity;

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

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

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

19 (2) A statement of conversion must contain:

20 (a) The name, jurisdiction of formation, and type of entity of
21 the converting entity;

22 (b) The name of the converted entity;

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

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

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

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

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

38 (5) A plan of conversion that is executed by a converting entity
39 and meets all the requirements of subsection (2) of this section may

1 be delivered to the secretary of state for filing instead of a
2 statement of conversion and on filing has the same effect. If a plan
3 of conversion is filed as provided in this subsection, references in
4 this subchapter to a statement of conversion refer to the plan of
5 conversion filed under this subsection.

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

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

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

13 (a) The converted entity is:

14 (i) Organized under and subject to the organic law of the
15 converted entity; and

16 (ii) The same entity without interruption as the converting
17 entity;

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

20 (c) All debts, obligations, and other liabilities of the
21 converting entity continue as debts, obligations, and other
22 liabilities of the converted entity;

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

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

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

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

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

37 (2) Except as otherwise provided in the organic law or organic
38 rules of the converting entity, the conversion does not give rise to
39 any rights that an interest holder, governor, or third party would

1 have upon a dissolution, liquidation, or winding up of the converting
2 entity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 interest holders satisfies the requirements of this subchapter for
2 approval of the conversion.

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

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

12 **PART 3**

13 **ORGANIZATION OF LIMITED COOPERATIVE ASSOCIATION**

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

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

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

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

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

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

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

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

17 (3) Initial directors need not be members.

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

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

23 (a) A statement of the capital structure of the limited
24 cooperative association, including:

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

28 (ii) The rights to share in profits or distributions of the
29 association;

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

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

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

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

1 losses are allocated and how distributions are made among investor
2 members and between patron members and investor members;

3 (f) A statement concerning:

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

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

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

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

14 (3) In addition to amendments permitted under sections 401
15 through 407 of this act, the initial board of directors may amend the
16 bylaws by a majority vote of the directors at any time before the
17 admission of members.

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

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

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

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

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

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

36 **PART 4**

37 **AMENDMENT OF ORGANIC RULES OF LIMITED COOPERATIVE**
38 **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 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 (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(~~([,])~~)₁" 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 "LLLP" 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 "LLLP" 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 (1) Except as provided in subsection (2) of this section, a
13 domestic association organized under this chapter may convert to a
14 limited cooperative association pursuant to sections 201 through 214
15 of this act.

16 (2) This section does not apply to a domestic association
17 organized for the purpose of generating, purchasing, selling,
18 marketing, transmitting, or distributing electric energy.

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

21 Except as provided in subsection (2) of this section, a domestic
22 corporation organized under this chapter, and taking the election
23 provided in RCW 24.06.032(1), may convert to a limited cooperative
24 association pursuant to sections 201 through 214 of this act.

25 (2) This section does not apply to a domestic corporation
26 organized for the purpose of generating, purchasing, selling,
27 marketing, transmitting, or distributing electric energy.

28 **PART 16**

29 **MISCELLANEOUS PROVISIONS**

30 NEW SECTION. **Sec. 1601.** UNIFORMITY OF APPLICATION AND
31 CONSTRUCTION. In applying and construing this uniform act,
32 consideration must be given to the need to promote uniformity of the
33 law with respect to its subject matter among states that enact it.

34 NEW SECTION. **Sec. 1602.** RELATION TO ELECTRONIC SIGNATURES IN
35 GLOBAL AND NATIONAL COMMERCE ACT. This chapter modifies, limits, and

1 supersedes the electronic signatures in global and national commerce
2 act, 15 U.S.C. Section 7001 et seq., but does not modify, limit, or
3 supersede Section 101(c) of that act, 15 U.S.C. Section 7001(c) or
4 authorize electronic delivery of any of the notices described in
5 Section 103(b) of that act, 15 U.S.C. Section 7003(b).

6 NEW SECTION. **Sec. 1603.** SAVINGS CLAUSE. This act does not
7 affect an action commenced, or proceeding brought, or right accrued
8 before the effective date of this section.

9 NEW SECTION. **Sec. 1604.** SEVERABILITY CLAUSE. If any provision
10 of this act or its application to any person or circumstance is held
11 invalid, the remainder of the act or the application of the provision
12 to other persons or circumstances is not affected.

13 NEW SECTION. **Sec. 1605.** Sections 101 through 1404 and 1601
14 through 1603 of this act constitute a new chapter in Title 23 RCW.

--- END ---