

preservation of the public peace, health and safety, and shall take effect immediately.

Passed the House January 29, 1913.

Passed the Senate February 19, 1913.

Approved by the Governor February 28, 1913.

CHAPTER 19.

[H. B. No. 114.]

CO-OPERATIVE ASSOCIATIONS.

AN ACT providing for the formation and carrying on of co-operative associations and providing for the rights, powers, liabilities and duties of the same.

Be it enacted by the Legislature of the State of Washington:

SECTION 1. *Co-operative Associations—Who May Organize—Purposes.*

Who may
organize.

Any number of persons, not less than five, may associate themselves together as a co-operative association, society, company or exchange for the transaction of any lawful business on the co-operative plan. For the purposes of this act the words "association," "company," "exchange," "society" or "union" shall be construed the same.

SEC. 2. *Articles—Contents.*

Articles of
association.

Every association formed under this act shall prepare articles of association in writing, which shall set forth:

1. The name of the association.
2. The purpose for which it was formed.
3. Its principal place of business.
4. The term for which it is to exist which shall not exceed 50 years.
5. The amount of capital stock, the number of shares and the par value of each share.

SEC. 3. *Articles—Verification—Filing—When Legally Organized.*

The original articles of associations organized under this act or a true copy thereof verified to be such by the

affidavits of two of the signers thereof, shall be filed with the secretary of state. Whenever a certified copy of the same accompanied by a certificate of the secretary of state showing that the same has been filed in his office, is filed with the county auditor of the county in which is located the principal place of business of said association, the said association shall be deemed to be legally organized.

Conditions
precedent.

SEC. 4. *Filing Fees.*

For filing articles of association organized under this act there shall be paid to the secretary of state the sum of twenty-five dollars and for the filing of an amendment of such articles there shall be paid the sum of ten dollars. For recording such articles of association or an amendment thereto, the county auditor shall charge the sum of fifteen cents for each 100 words thereof, and fifteen cents for filing and indexing the same.

Filing fee.

SEC. 5. *Trustees—Election—Duties—Election of Officers.*

Every such association shall be managed by a board of not less than three trustees. The trustees shall be elected by and from the stockholders of the association at such time and for such term of office as the by-laws may prescribe, and shall hold office during the term for which they were elected and until their successors are elected and qualified; but a majority of the stockholders shall have the power at any regular or special meeting, legally called for that purpose to remove any trustee or officer for cause, and fill the vacancy. The officers of every such association shall be a president, one or more vice-presidents, a secretary and a treasurer who shall be elected annually by the trustees. Each of said officers must be a member of the association. All elections shall be by ballot.

Trustees.

Recall.

Officers.

SEC. 6. *Amendments—How Adopted—Recording.*

The articles of association may be amended by a majority vote of the stockholders at any regular stockholders' meeting or at any special stockholders' meeting called for that purpose, on twenty days' written notice being given to the stockholders. Said power to amend

Amendments
to articles.

shall include the power to increase or diminish the amount of capital stock and the number of shares: *Provided*, The amount of the capital stock shall not be diminished below the amount of the paid up capital stock at the time such amendment is adopted. Within thirty days after the adoption of an amendment to its articles of association, the association shall cause a copy of such amendment adopted to be recorded in the office of the secretary of state and of the county auditor of the county where its principal place of business is located.

SEC. 7. *Business Authorized to Be Conducted—Lawful Business Defined.*

Powers.

An association created under this act, being for mutual welfare, the words "lawful business" shall extend to every kind of lawful effort for business, agricultural, dairy, mercantile, mining, manufacturing or mechanical business, on the co-operative plan.

SEC. 8. *Stock—Issue—Limit—Vote.*

Ownership of stock and voting.

No stockholder in any such association shall own more than one-fifth of the stock of the association, except as hereinafter provided. No stockholder at any meeting shall be entitled to more than one vote.

SEC. 9. *Subscription of Stock in Other Associations.*

May invest in other associations.

At any regular meeting or any regularly called special meeting at which at least a majority of all the stockholders shall be present, or represented, an association organized under this act may by a majority vote of the stockholders present or represented, subscribe for shares and invest its reserve fund or any part thereof in the capital stock of any other co-operative association.

SEC. 10. *Purchasing Business of Other Associations—Payment—Stock Issued.*

Trust or monopoly authorized.

Whenever an association organized under this act shall purchase any stock of another association or the interest or any part thereof of any person or persons, firm or partnership engaged in any lawful business as defined in section 7 of this act, it may pay for the same in whole or

in part by issuing to the selling association or person, firm or partnership, shares of its capital stock to an amount which at par value, would equal the fair market value of the stock or interest so purchased and in such case the transfer to the association of such stock or interest so purchased at such valuation shall be equivalent to payment in cash for the shares of stock so issued.

SEC. 11. *Certificates of Stock—When Held in Trust—Issued.*

In case the cash value of such stock or interest so purchased exceeds one-fifth of the par value of the purchasing association, the trustees of the purchasing association are authorized to hold the shares in excess of one-fifth of the par value of the purchasing association, in trust for the vendor and dispose of the same to such person or persons and within such time as may be mutually agreed upon by the parties in interest, and shall pay the proceeds thereof as currently received to the former owners thereof. Certificates of stock shall not be issued to any subscriber until fully paid for, but the by-laws of the association may allow subscribers to stock to vote as stockholders: *Provided*, That one-fifth of the stock subscribed for has been paid for by such subscriber.

Disposition
of stock of
absorbed as-
sociations.

SEC. 12. *Stockholders May Vote by Mail.*

At any regular, called, general or special meeting of the stockholders, a written vote received by mail from any absent stockholder and signed by him may be read in such meeting and shall be equivalent to a vote of each of the stockholders so signing: *Provided*, He has been previously notified in writing of the exact motion or resolution upon which such vote is taken and a copy of same is forwarded with and attached to the vote so mailed by him.

Voting by
mail.

SEC. 13. *Earnings—Apportionment.*

The trustees shall apportion the net earnings by first paying dividends on the paid up capital stock at a rate not exceeding eight per cent per annum; then setting aside not less than ten per cent nor more than twenty-five per cent of the remainder annually of the net profits for a

Dividends.

Reserve.

reserve fund and the remainder of said net profits by dividends proportioned upon the amount of business transacted with said association and proportioned upon the wages and salaries of employees: *Provided*, That non-shareholders shall only be entitled to one-half as much dividends from said net profits as shareholders: *And provided further*, That no dividend shall be paid out or declared on any business transacted with the association by any person, persons, firm or corporation engaged in the buying, selling or handling of agricultural products for profit or to any sale to said association by any person or persons, firm or corporation engaged as a wholesaler or jobber in the distribution of manufactured products. Dividends remaining uncalled for six months after the same have been declared shall revert to the association.

Surplus profits, disposition of.

Unclaimed dividends revert.

SEC. 14. *Distribution of Dividends.*

When dividends may be paid.

The profits or net earnings of such association shall be distributed to those entitled thereto at such time and in such manner not inconsistent with this act as its by-laws shall prescribe, which shall be as often as once a year.

SEC. 15. *Annual Reports—Contents—Filing.*

Reports.

Every association organized under the terms of this act shall, annually on or before the 1st day of March of each year, make a report to the secretary of state; such report shall contain the name of the company, its principal place of business in this state and a general statement as to its business, showing the total amount of business transacted, the amount of capital stock subscribed for and paid in, the number of stockholders, the total expenses of operation, the amount of its indebtedness or liability and its profits and losses.

SEC. 16. *Co-operative Associations Heretofore Organized—May Adopt Provisions of This Act.*

Existing organizations may benefit by act.

All co-operative associations heretofore organized and doing business under prior statutes, or which have attempted to so organize and do business shall have the benefit of all the provisions of this act and be bound thereby on filing with the secretary of state signed and sworn

to by the president and secretary, manager or other officer managing said business, to the effect that said co-operative company or association has by a majority vote of its stockholders decided to accept the benefits of and to be bound by the provisions of this act. No association organized under this act shall be required to do or perform anything not specifically required herein in order to become an association or to continue its business as such.

Addition conditions not authorized.

SEC. 17. *Use of Term "Co-operative" Limited to Associations Under This Act.*

No corporation or association organized or doing business for profit in this state shall be entitled to use the term "co-operative" as a part of its corporate or other business name or title, unless it has complied with the provisions of this act; and any corporation or association violating the provisions of this section may be enjoined from doing business under such name at the instance of any stockholder or any association legally organized hereunder.

Limitation on use of "co-operative."

SEC. 18. *When to Do Business—Liability.*

No co-operative association organized under the provisions of this act shall be permitted to do business until three-fourths of the capital stock shall have been subscribed for and one-fourth of the capital stock of said association shall have been paid in to said association. The liability of each stockholder shall be limited to the amount remaining unpaid on his subscription to the capital stock of said association.

Capital stock required.

SEC. 19. *May Pass By-laws.*

Any association formed under this act may pass by-laws to govern itself in the carrying out of the provisions of this act which are not inconsistent with the provisions of this act.

By-laws.

SEC. 20. *Constitutionality.*

If any section or part of a section of this act shall for any cause be held unconstitutional such fact shall not affect the remainder of this act.

Legislative intent as to validity.

Passed the House February 11, 1913.

Passed the Senate February 19, 1913.

Approved by the Governor February 28, 1913.