
BILL REQUEST - CODE REVISER'S OFFICE

BILL REQ. #: Z-0852.1/08

ATTY/TYPIST: BLP:rmh

BRIEF DESCRIPTION: Adopting the uniform limited cooperative
association act.

1 AN ACT Relating to the uniform limited cooperative association act;
2 amending RCW 23.86.030; adding a new chapter to Title 23 RCW; and
3 creating a new section.

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

5 **PART 1**

6 **GENERAL PROVISIONS**

7 NEW SECTION. **Sec. 101.** SHORT TITLE. This act may be known and
8 cited as the uniform limited cooperative association act.

9 NEW SECTION. **Sec. 102.** DEFINITIONS. The definitions in this
10 section apply throughout this chapter unless the context clearly
11 requires otherwise.

12 (1) "Articles of organization" means the articles of organization
13 of a limited cooperative association required by section 302 of this
14 act. The term includes the articles as amended or restated.

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

1 (3) "Bylaws" means the bylaws of a limited cooperative association.
2 The term includes the bylaws as amended or restated.

3 (4) "Certificate of authority" means a certificate issued by the
4 secretary of state for a foreign cooperative to transact business in
5 this state.

6 (5) "Contribution," except as used in section 1008(3) of this act,
7 means a benefit that a person provides to a limited cooperative
8 association to become or remain a member or in the person's capacity as
9 a member.

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

12 (7) "Designated office" means the office that a limited cooperative
13 association or a foreign cooperative is required to designate and
14 maintain under section 117(1)(a) of this act.

15 (8) "Director" means a director of a limited cooperative
16 association.

17 (9) "Distribution," except as used in section 1007(5) of this act,
18 means a transfer of money or other property from a limited cooperative
19 association to a member because of the member's financial rights or to
20 a transferee of a member's financial rights.

21 (10) "Entity" means a person other than an individual.

22 (11) "Financial rights" means the right to participate in
23 allocations and distributions as provided in sections 1001 through 1009
24 and 1201 through 1215 of this act but does not include rights or
25 obligations under a marketing contract governed by sections 701 through
26 704 of this act.

27 (12) "Foreign cooperative" means an entity organized in a
28 jurisdiction other than this state under a law similar to this chapter.

29 (13) "Governance rights" means the right to participate in
30 governance of a limited cooperative association.

31 (14) "Investor member" means a member that has made a contribution
32 to a limited cooperative association and:

33 (a) Is not required by the organic rules to conduct patronage with
34 the association in the member's capacity as an investor member in order
35 to receive the member's interest; or

36 (b) Is not permitted by the organic rules to conduct patronage with
37 the association in the member's capacity as an investor member in order
38 to receive the member's interest.

1 (15) "Limited cooperative association" means an association
2 organized under this chapter.

3 (16) "Member" means a person that is admitted as a patron member or
4 investor member, or both, in a limited cooperative association. The
5 term does not include a person that has dissociated as a member.

6 (17) "Member's interest" means the interest of a patron member or
7 investor member under section 601 of this act.

8 (18) "Members meeting" means an annual members meeting or special
9 meeting of members.

10 (19) "Organic law" means the statute providing for the creation of
11 an entity or principally governing its internal affairs.

12 (20) "Organic rules" means the articles of organization and bylaws
13 of a limited cooperative association.

14 (21) "Organizer" means an individual who signs the initial articles
15 of organization.

16 (22) "Patron member" means a member that has made a contribution to
17 a limited cooperative association and:

18 (a) Is required by the organic rules to conduct patronage with the
19 association in the member's capacity as a patron member in order to
20 receive the member's interest; or

21 (b) Is permitted by the organic rules to conduct patronage with the
22 association in the member's capacity as a patron member in order to
23 receive the member's interest.

24 (23) "Patronage" means business transactions between a limited
25 cooperative association and a person that entitle the person to receive
26 financial rights based on the value or quantity of business done
27 between the association and the person.

28 (24) "Person" means an individual, corporation, business trust,
29 cooperative, estate, trust, partnership, limited partnership, limited
30 liability company, limited cooperative association, joint venture,
31 association, public corporation, government or governmental
32 subdivision, agency, or instrumentality, or any other legal or
33 commercial entity.

34 (25) "Principal office" means the principal executive office of a
35 limited cooperative association or foreign cooperative, whether or not
36 in this state.

37 (26) "Record," used as a noun, means information that is inscribed

1 on a tangible medium or that is stored in an electronic or other medium
2 and is retrievable in perceivable form.

3 (27) "Required information" means the information a limited
4 cooperative association is required to maintain under section 114 of
5 this act.

6 (28) "Sign" means, with present intent to authenticate or adopt a
7 record:

8 (a) To execute or adopt a tangible symbol; or

9 (b) To attach to or logically associate with the record an
10 electronic symbol, sound, or process.

11 (29) "State" means a state of the United States, the District of
12 Columbia, Puerto Rico, the United States Virgin Islands, or any
13 territory or insular possession subject to the jurisdiction of the
14 United States.

15 (30) "Transfer" includes an assignment, conveyance, deed, bill of
16 sale, lease, mortgage, security interest, encumbrance, gift, and
17 transfer by operation of law.

18 (31) "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 this chapter are entitled to vote and can be counted together
21 collectively on a matter at a members meeting.

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

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

27 NEW SECTION. **Sec. 103.** LIMITED COOPERATIVE ASSOCIATION SUBJECT TO
28 AMENDMENT OR REPEAL OF CHAPTER. A limited cooperative association
29 governed by this chapter is subject to any amendment or repeal of this
30 chapter.

31 NEW SECTION. **Sec. 104.** NATURE OF LIMITED COOPERATIVE ASSOCIATION.
32 (1) A limited cooperative association organized under this chapter is
33 an autonomous, unincorporated association of persons united to meet
34 their mutual interests through a jointly owned enterprise primarily
35 controlled by those persons, which permits 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 this
7 section does not alone prevent the association from being formed under
8 and governed by this chapter nor does it alone provide a basis for an
9 action against the association.

10 NEW SECTION. **Sec. 105.** 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, whether or not for profit.

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

18 NEW SECTION. **Sec. 106.** POWERS. A limited cooperative association
19 may sue and be sued in its own name and do all things necessary or
20 convenient to carry on its activities. An association may maintain an
21 action against a member for harm caused to the association by the
22 member's violation of a duty to the association or of the organic law
23 or organic rules.

24 NEW SECTION. **Sec. 107.** GOVERNING LAW. The law of this state
25 governs:

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

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

30 NEW SECTION. **Sec. 108.** SUPPLEMENTAL PRINCIPLES OF LAW. Unless
31 displaced by particular provisions of this chapter, the principles of
32 law and equity supplement this chapter.

1 NEW SECTION. **Sec. 109.** REQUIREMENTS OF OTHER LAWS. (1) This
2 chapter does not alter or amend any law that governs the licensing and
3 regulation of an individual or entity in carrying on a specific
4 business or profession even if that law permits the business or
5 profession to be conducted by a limited cooperative association, a
6 foreign cooperative, or its members.

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

12 NEW SECTION. **Sec. 110.** RELATION TO RESTRAINT OF TRADE AND
13 ANTITRUST. To the extent a limited cooperative association or
14 activities conducted by the association in this state meet the material
15 requirements for other cooperatives entitled to an exemption from or
16 immunity under any provision of chapter 19.86 RCW, the association and
17 its activities are entitled to the exemption or immunity. This section
18 does not create any new exemption or immunity for an association or
19 affect any exemption or immunity provided to a cooperative organized
20 under any other law.

21 NEW SECTION. **Sec. 111.** NAME. (1) Use of the term "cooperative"
22 or its abbreviation under this chapter is not a violation of the
23 provisions restricting the use of the term under RCW 23.86.030.

24 (2) The name of a limited cooperative association must contain the
25 words "limited cooperative association" or "limited cooperative" or the
26 abbreviation "L.C.A." or "LCA". "Limited" may be abbreviated as "Ltd."
27 "Cooperative" may be abbreviated as "Co-op" or "Coop." "Association"
28 may be abbreviated as "Assoc." or "Assn." A limited cooperative
29 association or a member may enforce the restrictions on the use of the
30 term "cooperative" under this chapter and RCW 23.86.030.

31 (3) Except as otherwise provided in subsection (4) of this section,
32 a limited cooperative association may use only a name that is
33 available. A name is available if it is distinguishable in the records
34 of the secretary of state from:

35 (a) The name of any entity organized or authorized to transact
36 business in this state;

1 (b) A name reserved under section 112 of this act; and

2 (c) An alternative name approved for a foreign cooperative
3 authorized to transact business in this state.

4 (4) A limited cooperative association may apply to the secretary of
5 state for authorization to use a name that is not available. The
6 secretary of state shall authorize use of the name if:

7 (a) The person with ownership rights to use the name consents in a
8 record to the use and applies in a form satisfactory to the secretary
9 of state to change the name used or reserved to a name that is
10 distinguishable upon the records of the secretary of state from the
11 name applied for; or

12 (b) The applicant delivers to the secretary of state a certified
13 copy of the final judgment of a court establishing the applicant's
14 right to use the name in this state.

15 NEW SECTION. **Sec. 112.** RESERVATION OF NAME. (1) A person may
16 reserve the exclusive use of the name of a limited cooperative
17 association, including a fictitious name for a foreign cooperative
18 whose name is not available under section 111 of this act, by
19 delivering an application to the secretary of state for filing. The
20 application must set forth the name and address of the applicant and
21 the name proposed to be reserved. If the secretary of state finds that
22 the name applied for is available under section 111 of this act, the
23 secretary of state shall reserve the name for the applicant's exclusive
24 use for a nonrenewable period of one hundred twenty days.

25 (2) A person that has reserved a name for a limited cooperative
26 association may transfer the reservation to another person by
27 delivering to the secretary of state a signed notice of the transfer
28 that states the name, street address, and, if different, the mailing
29 address of the transferee. If the person is an organizer of the
30 association and the name of the association is the same as the reserved
31 name, the delivery of articles of organization for filing by the
32 secretary of state is a transfer by the person to the association.

33 NEW SECTION. **Sec. 113.** EFFECT OF ORGANIC RULES. (1) The
34 relations between a limited cooperative association and its members are
35 consensual. Unless required, limited, or prohibited by this chapter,
36 the organic rules may provide for any matter concerning the relations

1 among the members of the association and between the members and the
2 association, the activities of the association, and the conduct of its
3 activities.

4 (2) The matters referred to in (a) through (j) of this subsection
5 may be varied only in the articles of organization. The articles may:

6 (a) State a term of existence for the association under section
7 105(3) of this act;

8 (b) Limit or eliminate the acceptance of new or additional members
9 by the initial board of directors under section 303(2) of this act;

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

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

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

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

18 (g) Specify causes of dissolution under section 1202(1) of this
19 act;

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

22 (i) Provide for member approval of asset dispositions under section
23 1501 of this act; and

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

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

28 (a) Require more information to be maintained under section 114 of
29 this act or provided to members under section 505(11) of this act;

30 (b) Provide restrictions on transactions between a member and an
31 association under section 115 of this act;

32 (c) Provide for the percentage and manner of voting on amendments
33 to the organic rules by district, class, or voting group under section
34 404(1) of this act;

35 (d) Provide for the percentage vote required to amend the bylaws
36 concerning the admission of new members under section 405(5)(e);

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

- 1 (f) Restrict the manner of conducting members meetings under
2 sections 506(3) and 507(5) of this act;
- 3 (g) Designate the presiding officer of members meetings under
4 sections 506(5) and 507(7) of this act;
- 5 (h) Require a statement of purposes in the annual meeting notice
6 under section 508(2) of this act;
- 7 (i) Increase quorum requirements for members meetings under section
8 510 of this act and board of directors meetings under section 815 of
9 this act;
- 10 (j) Allocate voting power among members, including patron members
11 and investor members, and provide for the manner of member voting and
12 action as permitted by sections 511 through 517 of this act;
- 13 (k) Authorize investor members and expand or restrict the
14 transferability of members' interests to the extent provided in
15 sections 602 through 604 of this act;
- 16 (l) Provide for enforcement of a marketing contract under section
17 704(1) of this act;
- 18 (m) provide for qualification, election, terms, removal, filling
19 vacancies, and member approval for compensation of directors in
20 accordance with sections 803 through 805, 807, 809, and 810 of this
21 act;
- 22 (n) Restrict the manner of conducting board meetings and taking
23 action without a meeting under sections 811 and 812 of this act;
- 24 (o) Provide for frequency, location, notice, and waivers of notice
25 for board meetings under sections 813 and 814 of this act;
- 26 (p) Increase the percentage of votes necessary for board action
27 under section 816(2) of this act;
- 28 (q) Provide for the creation of committees of the board of
29 directors and matters related to the committees in accordance with
30 section 817 of this act;
- 31 (r) Provide for officers and their appointment, designation, and
32 authority under section 822 of this act;
- 33 (s) Provide for forms and values of contributions under section
34 1002 of this act;
- 35 (t) Provide for remedies for failure to make a contribution under
36 section 1003(2) of this act;
- 37 (u) Provide for the allocation of profits and losses of the

1 association, distributions, and the redemption or repurchase of
2 distributed property other than money in accordance with sections 1004
3 through 1007 of this act;

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

7 (w) Provide the personal representative, or other legal
8 representative, of a deceased member or a member adjudged incompetent
9 with additional rights under section 1103 of this act;

10 (x) Increase the percentage of votes required for board of director
11 approval of:

12 (i) A resolution to dissolve under section 1205(1)(a) of this act;

13 (ii) A proposed amendment to the organic rules under section
14 402(1)(a) of this act;

15 (iii) A plan of conversion under section 1603(1) of this act;

16 (iv) A plan of merger under section 1607(1) of this act; and

17 (v) A proposed disposition of assets under section 1503(1) of this
18 act; and

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

20 (i) A resolution to dissolve under section 1205 of this act;

21 (ii) An amendment to the organic rules under section 405 of this
22 act;

23 (iii) A plan of conversion under section 1603 of this act;

24 (iv) A plan of merger under section 1608 of this act; and

25 (v) A disposition of assets under section 1504 of this act.

26 (4) The organic rules must address members' contributions pursuant
27 to section 1001 of this act.

28 NEW SECTION. **Sec. 114.** REQUIRED INFORMATION. (1) Subject to
29 subsection (2) of this section, a limited cooperative association shall
30 maintain in a record available at its principal office:

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

34 (b) The initial articles of organization and all amendments to and
35 restatements of the articles, together with a signed copy of any power
36 of attorney under which any article, amendment, or restatement has been
37 signed;

- 1 (c) The initial bylaws and all amendments to and restatements of
2 the bylaws;
- 3 (d) All filed articles of merger and statements of conversion;
- 4 (e) All financial statements of the association for the six most
5 recent years;
- 6 (f) The six most recent annual reports delivered by the association
7 to the secretary of state;
- 8 (g) The minutes of members meetings for the six most recent years;
- 9 (h) Evidence of all actions taken by members without a meeting for
10 the six most recent years;
- 11 (i) A list containing:
- 12 (i) The name, in alphabetical order, and last known street address
13 and, if different, mailing address of each patron member and each
14 investor member; and
- 15 (ii) If the association has districts or classes of members,
16 information from which each current member in a district or class may
17 be identified;
- 18 (j) The federal income tax returns, any state and local income tax
19 returns, and any tax reports of the association for the six most recent
20 years;
- 21 (k) Accounting records maintained by the association in the
22 ordinary course of its operations for the six most recent years;
- 23 (l) The minutes of directors meetings for the six most recent
24 years;
- 25 (m) Evidence of all actions taken by directors without a meeting
26 for the six most recent years;
- 27 (n) The amount of money contributed and agreed to be contributed by
28 each member;
- 29 (o) A description and statement of the agreed value of
30 contributions other than money made and agreed to be made by each
31 member;
- 32 (p) The times at which, or events on the happening of which, any
33 additional contribution is to be made by each member;
- 34 (q) For each member, a description and statement of the member's
35 interest or information from which the description and statement can be
36 derived; and
- 37 (r) All communications concerning the association made in a record

1 to all members, or to all members in a district or class, for the six
2 most recent years.

3 (2) If a limited cooperative association has existed for less than
4 the period for which records must be maintained under subsection (1) of
5 this section, the records must be kept for the period of the
6 association's existence.

7 (3) The organic rules may require that more information be
8 maintained.

9 NEW SECTION. **Sec. 115.** BUSINESS TRANSACTIONS OF MEMBER WITH
10 LIMITED COOPERATIVE ASSOCIATION. Subject to sections 818 and 819 of
11 this act and except as otherwise provided in the organic rules or a
12 specific contract relating to a transaction, a member may lend money to
13 and transact other business with a limited cooperative association in
14 the same manner as a person that is not a member.

15 NEW SECTION. **Sec. 116.** DUAL CAPACITY. A person may have a patron
16 member's interest and an investor member's interest. When such person
17 acts as a patron member, the person is subject to this chapter and the
18 organic rules governing patron members. When such person acts as an
19 investor member, the person is subject to this chapter and the organic
20 rules governing investor members.

21 NEW SECTION. **Sec. 117.** DESIGNATED OFFICE AND AGENT FOR SERVICE OF
22 PROCESS. (1) A limited cooperative association, or a foreign
23 cooperative that has a certificate of authority under section 1404 of
24 this act, shall designate and continuously maintain in this state:

25 (a) An office, as its designated office, which need not be a place
26 of the association's or foreign cooperative's activity in this state;
27 and

28 (b) An agent for service of process at the designated office.

29 (2) An agent for service of process of a limited cooperative
30 association or foreign cooperative must be an individual who is a
31 resident of this state or an entity that is authorized to do business
32 in this state.

33 NEW SECTION. **Sec. 118.** CHANGE OF DESIGNATED OFFICE OR AGENT FOR
34 SERVICE OF PROCESS. (1) Except as otherwise provided in section 207(5)

1 of this act, to change its designated office, its agent for service of
2 process, or the street address or, if different, mailing address of its
3 principal office, a limited cooperative association must deliver to the
4 secretary of state for filing a statement of change containing:

5 (a) The name of the limited cooperative association;

6 (b) The street address and, if different, mailing address of its
7 designated office;

8 (c) If the designated office is to be changed, the street address
9 and, if different, mailing address of the new designated office;

10 (d) The name of its agent for service of process; and

11 (e) If the agent for service of process is to be changed, the name
12 of the new agent.

13 (2) Except as otherwise provided in section 207(5) of this act, to
14 change its agent for service of process, the address of its designated
15 office, or the street address or, if different, mailing address of its
16 principal office, a foreign cooperative shall deliver to the secretary
17 of state for filing a statement of change containing:

18 (a) The name of the foreign cooperative;

19 (b) The name, street address and, if different, mailing address of
20 its designated office;

21 (c) If the current agent for service of process or an address of
22 the designated office is to be changed, the new information;

23 (d) The street address and, if different, mailing address of its
24 principal office; and

25 (e) If the street address or, if different, the mailing address of
26 its principal office is to be changed, the street address and, if
27 different, the mailing address of the new principal office.

28 (3) Except as otherwise provided in section 204 of this act, a
29 statement of change is effective when filed by the secretary of state.

30 NEW SECTION. **Sec. 119.** RESIGNATION OF AGENT FOR SERVICE OF
31 PROCESS. (1) To resign as an agent for service of process of a limited
32 cooperative association or foreign cooperative, the agent must deliver
33 to the secretary of state for filing a statement of resignation
34 containing the name of the agent and the name of the association or
35 foreign cooperative.

36 (2) After receiving a statement of resignation under subsection (1)

1 of this section, the secretary of state shall file it and mail or
2 otherwise provide or deliver a copy to the limited cooperative
3 association or foreign cooperative at its principal office.

4 (3) An agency for service of process of a limited cooperative
5 association or foreign cooperative terminates on the earlier of:

6 (a) The thirty-first day after the secretary of state files a
7 statement of resignation under subsection (2) of this section; or

8 (b) When a record designating a new agent for service of process is
9 delivered to the secretary of state for filing on behalf of the
10 association or foreign cooperative and becomes effective.

11 NEW SECTION. **Sec. 120.** SERVICE OF PROCESS. (1) An agent for
12 service of process appointed by a limited cooperative association or
13 foreign cooperative is an agent of the association or foreign
14 cooperative for service of process, notice, or a demand required or
15 permitted by law to be served upon the association or foreign
16 cooperative.

17 (2) If a limited cooperative association or foreign cooperative
18 does not appoint or maintain an agent for service of process in this
19 state or the agent for service of process cannot with reasonable
20 diligence be found at the address of the designated office on file with
21 the secretary of state, the secretary of state is an agent of the
22 association or foreign cooperative upon which process, notice, or a
23 demand may be served.

24 (3) Service of process, notice, or a demand on the secretary of
25 state as agent of a limited cooperative association or foreign
26 cooperative may be made by delivering to the secretary of state two
27 copies of the process, notice, or demand. The secretary of state shall
28 forward one copy by registered or certified mail, return receipt
29 requested, to the association or foreign cooperative at its principal
30 office.

31 (4) Service is effected under subsection (3) of this section on the
32 earliest of:

33 (a) The date the limited cooperative association or foreign
34 cooperative receives the process, notice, or demand;

35 (b) The date shown on the return receipt, if signed on behalf of
36 the association or foreign cooperative; or

1 (c) Five days after the process, notice, or demand is deposited by
2 the secretary of state for delivery by the United States postal
3 service, if postage prepaid, to the address of the principal office on
4 file with the secretary of state.

5 (5) The secretary of state shall keep a record of each process,
6 notice, and demand served pursuant to this section and record the time
7 of, and the action taken regarding, the service.

8 (6) This section does not affect the right to serve process,
9 notice, or a demand in any other manner provided by law.

10 **PART 2**

11 **FILING AND ANNUAL REPORTS**

12 NEW SECTION. **Sec. 201.** SIGNING OF RECORDS DELIVERED FOR FILING TO
13 SECRETARY OF STATE. (1) A record delivered to the secretary of state
14 for filing pursuant to this chapter must be signed as follows:

15 (a) The initial articles of organization must be signed by at least
16 one organizer.

17 (b) A statement of cancellation under section 302(4) of this act
18 must be signed by at least one organizer.

19 (c) Except as otherwise provided in (d) of this subsection, a
20 record signed on behalf of an existing limited cooperative association
21 must be signed by an officer.

22 (d) A record filed on behalf of a dissolved association must be
23 signed by a person winding up activities under section 1206 of this act
24 or a person appointed under section 1206 of this act to wind up those
25 activities.

26 (e) Any other record must be signed by the person on whose behalf
27 the record is delivered to the secretary of state.

28 (2) Any record to be signed under this chapter may be signed by an
29 authorized agent.

30 NEW SECTION. **Sec. 202.** SIGNING AND FILING OF RECORDS PURSUANT TO
31 JUDICIAL ORDER. (1) If a person required by this chapter to sign or
32 deliver a record to the secretary of state for filing does not do so,
33 the superior court, upon petition of an aggrieved person, may order:

34 (a) The person to sign the record and deliver it to the secretary
35 of state for filing; or

1 (b) Delivery of the unsigned record to the secretary of state for
2 filing.

3 (2) An aggrieved person under subsection (1) of this section, other
4 than the limited cooperative association or foreign cooperative to
5 which the record pertains, shall make the association or foreign
6 cooperative a party to the action brought to obtain the order.

7 (3) An unsigned record filed pursuant to this section is effective.

8 NEW SECTION. **Sec. 203.** DELIVERY TO AND FILING OF RECORDS BY
9 SECRETARY OF STATE; EFFECTIVE TIME AND DATE. (1) A record authorized
10 or required by this chapter to be delivered to the secretary of state
11 for filing must be captioned to describe the record's purpose, be in a
12 medium and format permitted by the secretary of state, and be delivered
13 to the secretary of state. If the filing fees have been paid, and
14 unless the secretary of state determines that the record does not
15 comply with the filing requirements of this chapter, the secretary of
16 state shall file the record and send a copy of the filed record and a
17 receipt for the fees to the person on whose behalf the record was
18 filed.

19 (2) The secretary of state, upon request and payment of the
20 required fee, shall furnish a certified copy of any record filed by the
21 secretary of state under this chapter to the person making the request.

22 (3) Except as otherwise provided in sections 118 and 204 of this
23 act, a record delivered to the secretary of state for filing under this
24 chapter may specify an effective time and a delayed effective date that
25 may include an effective time on that date. Except as otherwise
26 provided in sections 118 and 204 of this act, a record filed by the
27 secretary of state under this chapter is effective:

28 (a) If the record does not specify an effective time and does not
29 specify a delayed effective date, on the date and at the time the
30 record is filed as evidenced by the secretary of state's endorsement of
31 the date and time on the record;

32 (b) If the record specifies an effective time but not a delayed
33 effective date, on the date the record is filed at the time specified
34 in the record;

35 (c) If the record specifies a delayed effective date but not an
36 effective time, at 12:01 a.m. on the earlier of:

37 (i) The specified date; or

- 1 (ii) The ninetieth day after the record is filed; or
- 2 (d) If the record specifies an effective time and a delayed
- 3 effective date, at the specified time on the earlier of:
- 4 (i) The specified date; or
- 5 (ii) The ninetieth day after the record is filed.

6 NEW SECTION. Sec. 204. CORRECTING FILED RECORD. (1) A limited
7 cooperative association or foreign cooperative may deliver to the
8 secretary of state for filing a statement of correction to correct a
9 record previously delivered by the association or foreign cooperative
10 to the secretary of state and filed by the secretary of state if, at
11 the time of filing, the record contained inaccurate information or was
12 defectively signed.

13 (2) A statement of correction may not state a delayed effective
14 date and must:

15 (a) Describe the record to be corrected, including its filing date,
16 or have attached a copy of the record as filed;

17 (b) Specify the inaccurate information and the reason it is
18 inaccurate or the manner in which the signing was defective; and

19 (c) Correct the inaccurate information or defective signature.

20 (3) When filed by the secretary of state, a statement of correction
21 is effective:

22 (a) When filed as to persons relying on the inaccurate information
23 or defective signature before its correction and adversely affected by
24 the correction; and

25 (b) As to all other persons, retroactively as of the effective date
26 and time of the record the statement corrects.

27 NEW SECTION. Sec. 205. LIABILITY FOR INACCURATE INFORMATION IN
28 FILED RECORD. If a record delivered to the secretary of state for
29 filing under this chapter and filed by the secretary of state contains
30 inaccurate information, a person that suffers a loss by reliance on the
31 information may recover damages for the loss from a person that signed
32 the record or caused another to sign it on the person's behalf and knew
33 at the time the record was signed that the information was inaccurate.

34 NEW SECTION. Sec. 206. CERTIFICATE OF GOOD STANDING OR
35 AUTHORIZATION. (1) The secretary of state, upon request and payment of

1 the required fee, shall furnish any person that requests it a
2 certificate of good standing for a limited cooperative association if
3 the records filed in the office of the secretary of state show that the
4 secretary of state has filed the association's articles of
5 organization, that the association is in good standing, and that the
6 secretary of state has not filed a statement of termination.

7 (2) The secretary of state, upon request and payment of the
8 required fee, shall furnish to any person that requests it a
9 certificate of authority for a foreign cooperative if the records filed
10 in the office of the secretary of state show that the secretary of
11 state has filed the foreign cooperative's certificate of authority, has
12 not revoked nor has reason to revoke the certificate of authority, and
13 has not filed a notice of cancellation.

14 (3) Subject to any exceptions stated in the certificate, a
15 certificate of good standing or authority issued by the secretary of
16 state establishes conclusively that the limited cooperative association
17 or foreign cooperative is in good standing or is authorized to transact
18 business in this state.

19 NEW SECTION. **Sec. 207.** ANNUAL REPORT FOR SECRETARY OF STATE. (1)
20 A limited cooperative association or foreign cooperative authorized to
21 transact business in this state shall deliver to the secretary of state
22 for filing an annual report that states:

23 (a) The name of the association or foreign cooperative;

24 (b) The street address and, if different, mailing address of the
25 association's or foreign cooperative's designated office and the name
26 of its agent for service of process at the designated office;

27 (c) The street address and, if different, mailing address of the
28 association's or foreign cooperative's principal office; and

29 (d) In the case of a foreign cooperative, the state or other
30 jurisdiction under whose law the foreign cooperative is formed and any
31 alternative name adopted under section 1405 of this act.

32 (2) Information in an annual report must be current as of the date
33 the report is delivered to the secretary of state.

34 (3) The first annual report must be delivered to the secretary of
35 state between January 1st and April 1st of the year following the
36 calendar year in which the limited cooperative association is formed or

1 the foreign cooperative is authorized to transact business in this
2 state. An annual report must be delivered to the secretary of state
3 between January 1st and April 1st of each subsequent calendar year.

4 (4) If an annual report does not contain the information required
5 by subsection (1) of this section, the secretary of state shall
6 promptly notify the reporting limited cooperative association or
7 foreign cooperative and return the report for correction. If the
8 report is corrected to contain the information required by subsection
9 (1) of this section and delivered to the secretary of state not later
10 than thirty days after the date of the notice from the secretary of
11 state, it is timely delivered.

12 (5) If a filed annual report contains an address of the designated
13 office, name of the agent for service of process, or address of the
14 principal office that differs from the information shown in the records
15 of the secretary of state immediately before the filing, the differing
16 information in the annual report is considered a statement of change.

17 (6) If a limited cooperative association fails to deliver an annual
18 report under this section, the secretary of state may proceed under
19 section 1211 of this act to dissolve the association administratively.

20 (7) If a foreign cooperative fails to deliver an annual report
21 under this section, the secretary of state may revoke the certificate
22 of authority of the cooperative.

23 NEW SECTION. **Sec. 208.** FILING FEES. The filing fee for records
24 filed under this chapter by the secretary of state shall be established
25 by the secretary of state by rule.

26 **PART 3**
27 **FORMATION AND INITIAL ARTICLES OF ORGANIZATION**
28 **OF LIMITED COOPERATIVE ASSOCIATION**

29 NEW SECTION. **Sec. 301.** ORGANIZERS. A limited cooperative
30 association must be organized by one or more organizers.

31 NEW SECTION. **Sec. 302.** FORMATION OF LIMITED COOPERATIVE
32 ASSOCIATION; ARTICLES OF ORGANIZATION. (1) To form a limited
33 cooperative association, an organizer of the association must deliver

1 articles of organization to the secretary of state for filing. The
2 articles must state:

3 (a) The name of the association;

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

5 (c) The street address and, if different, mailing address of the
6 association's initial designated office and the name of the
7 association's initial agent for service of process at the designated
8 office;

9 (d) The street address and, if different, mailing address of the
10 initial principal office;

11 (e) The name and street address and, if different, mailing address
12 of each organizer; and

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

15 (2) Subject to section 113(1) of this act, articles of organization
16 may contain any other provisions in addition to those required by
17 subsection (1) of this section.

18 (3) A limited cooperative association is formed after articles of
19 organization that substantially comply with subsection (1) of this
20 section are delivered to the secretary of state, are filed, and become
21 effective under section 203(3) of this act.

22 (4) If articles of organization filed by the secretary of state
23 state a delayed effective date, a limited cooperative association is
24 not formed if, before the articles take effect, an organizer signs and
25 delivers to the secretary of state for filing a statement of
26 cancellation.

27 NEW SECTION. **Sec. 303.** ORGANIZATION OF LIMITED COOPERATIVE
28 ASSOCIATION. (1) After a limited cooperative association is formed:

29 (a) If initial directors are named in the articles of organization,
30 the initial directors shall hold an organizational meeting to adopt
31 initial bylaws and carry on any other business necessary or proper to
32 complete the organization of the association; or

33 (b) If initial directors are not named in the articles of
34 organization, the organizers shall designate the initial directors and
35 call a meeting of the initial directors to adopt initial bylaws and
36 carry on any other business necessary or proper to complete the
37 organization of the association.

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

5 (3) Initial directors need not be members.

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

9 NEW SECTION. Sec. 304. BYLAWS. (1) Bylaws must be in a record
10 and, if not stated in the articles of organization, must include:

11 (a) A statement of the capital structure of the limited cooperative
12 association, including:

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

16 (ii) The rights to share in profits or distributions of the
17 association;

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

19 (c) A statement designating voting and other governance rights,
20 including which members have voting power and any restriction on voting
21 power;

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

25 (e) A statement concerning the manner in which profits and losses
26 are allocated and distributions are made among patron members and, if
27 investor members are authorized, the manner in which profits and losses
28 are allocated and how distributions are made among investor members and
29 between patron members and investor members;

30 (f) A statement concerning:

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

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

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

1 (2) Subject to section 113(3) of this act and the articles of
2 organization, bylaws may contain any other provision for managing and
3 regulating the affairs of the association.

4 (3) In addition to amendments permitted under sections 401 through
5 407 of this act, the initial board of directors may amend the bylaws by
6 a majority vote of the directors at any time before the admission of
7 members.

8 **PART 4**

9 **AMENDMENT OF ORGANIC RULES OF LIMITED COOPERATIVE ASSOCIATION**

10 NEW SECTION. **Sec. 401.** AUTHORITY TO AMEND ORGANIC RULES. (1) A
11 limited cooperative association may amend its organic rules under
12 sections 401 through 407 of this act for any lawful purpose. In
13 addition, the initial board of directors may amend the bylaws of an
14 association under section 304 of this act.

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

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

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

27 (b) One or more petitions signed by at least ten percent of the
28 patron members or at least ten percent of the investor members.

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

34 (a) The proposed amendment, or a summary of the proposed amendment

1 and a statement of the manner in which a copy of the amendment in a
2 record may be reasonably obtained by a member;

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

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

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

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

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

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

23 NEW SECTION. Sec. 404. VOTING BY DISTRICT, CLASS, OR VOTING
24 GROUP. (1) This section applies if the organic rules provide for
25 voting by district or class, or if there is one or more identifiable
26 voting groups that a proposed amendment to the organic rules would
27 affect differently from other members with respect to matters
28 identified in section 405(5) (a) through (e) of this act. Approval of
29 the amendment requires the same percentage of votes of the members of
30 that district, class, or voting group required in sections 405 and 514
31 of this act.

32 (2) If a proposed amendment to the organic rules would affect
33 members in two or more districts or classes entitled to vote separately
34 under subsection (1) of this section in the same or a substantially
35 similar way, the districts or classes affected must vote as a single

1 voting group unless the organic rules otherwise provide for separate
2 voting.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

34 (a) The equity capital structure of the limited cooperative
35 association, including the rights of the association's members to share
36 in profits or distributions, or the relative rights, preferences, and

1 restrictions granted to or imposed upon one or more districts, classes,
2 or voting groups of similarly situated members;

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

4 (c) The manner or method of allocation of profits or losses among
5 members;

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

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

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

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

20 NEW SECTION. **Sec. 406.** RESTATED ARTICLES OF ORGANIZATION. A
21 limited cooperative association, by the affirmative vote of a majority
22 of the board of directors taken at a meeting for which the purpose is
23 stated in the notice of the meeting, may adopt restated articles of
24 organization that contain the original articles as previously amended.
25 Restated articles may contain amendments if the restated articles are
26 adopted in the same manner and with the same vote as required for
27 amendments to the articles under section 405(1) of this act. Upon
28 filing, restated articles supersede the existing articles and all
29 amendments.

30 NEW SECTION. **Sec. 407.** AMENDMENT OR RESTATEMENT OF ARTICLES OF
31 ORGANIZATION; FILING. (1) To amend its articles of organization, a
32 limited cooperative association must deliver to the secretary of state
33 for filing an amendment of the articles, or restated articles of
34 organization or articles of conversion or merger pursuant to sections
35 1601 through 1612 of this act, which contain one or more amendments of
36 the articles of organization, stating:

1 (a) The name of the association;
2 (b) The date of filing of the association's initial articles; and
3 (c) The changes the amendment makes to the articles as most
4 recently amended or restated.

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

9 (a) Cause the articles to be amended; or
10 (b) If appropriate, deliver an amendment to the secretary of state
11 for filing pursuant to section 203 of this act.

12 (3) If restated articles of organization are adopted, the restated
13 articles may be delivered to the secretary of state for filing in the
14 same manner as an amendment.

15 (4) Upon filing, an amendment of the articles of organization or
16 other record containing an amendment of the articles that has been
17 properly adopted by the members is effective as provided in section
18 203(3) of this act.

19 **PART 5**
20 **MEMBERS**

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

24 NEW SECTION. **Sec. 502.** BECOMING A MEMBER. A person becomes a
25 member:

26 (1) As provided in the organic rules;
27 (2) As the result of a merger or conversion under sections 1601
28 through 1612 of this act; or
29 (3) With the consent of all the members.

30 NEW SECTION. **Sec. 503.** NO POWER AS MEMBER TO BIND ASSOCIATION.
31 A member, solely by reason of being a member, may not act for or bind
32 the limited cooperative association.

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

3 (4) A person dissociated as a member may obtain, inspect, and copy
4 information available to a member under subsection (1) or (2) of this
5 section by delivering a demand in a record to the limited cooperative
6 association in the same manner and subject to the same conditions
7 applicable to a member under subsection (2) of this section if:

8 (a) The information pertains to the period during which the person
9 was a member in the association; and

10 (b) The person seeks the information in good faith.

11 (5) A limited cooperative association shall respond to a demand
12 made pursuant to subsection (4) of this section in the manner provided
13 in subsection (3) of this section.

14 (6) Not later than ten business days after receipt by a limited
15 cooperative association of a demand made by a member in a record, but
16 not more often than once in a six-month period, the association shall
17 deliver to the member a record stating the information with respect to
18 the member required by section 114(1)(q) of this act.

19 (7) A limited cooperative association may impose reasonable
20 restrictions, including nondisclosure restrictions, on the use of
21 information obtained under this section. In a dispute concerning the
22 reasonableness of a restriction under this subsection, the association
23 has the burden of proving reasonableness.

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

27 (9) A person that may obtain information under this section may
28 obtain the information through an attorney or other agent. A
29 restriction imposed on the person under subsection (7) of this section
30 or by the organic rules applies to the attorney or other agent.

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

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

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 board
6 of directors not inconsistent with the organic rules.

7 (3) Unless the organic rules otherwise provide, members may attend
8 or conduct an annual members meeting through any means of communication
9 if all members attending the meeting can communicate with each other
10 during the meeting.

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

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

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

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

21 (a) As provided in the organic rules;

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

24 (c) By demand in a record signed by members holding at least twenty
25 percent of the voting power of the persons in any district or class
26 entitled to vote on the matter that is the purpose of the meeting
27 stated in the demand; or

28 (d) By demand in a record signed by members holding at least ten
29 percent of the total voting power of all the persons entitled to vote
30 on the matter that is the purpose of the meeting stated in the demand.

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

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

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

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

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

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

13 NEW SECTION. **Sec. 508.** NOTICE OF MEMBERS MEETING. (1) A limited
14 cooperative association shall notify each member of the time, date, and
15 place of a members meeting at least fifteen and not more than sixty
16 days before the meeting.

17 (2) Unless the articles of organization otherwise provide, notice
18 of an annual members meeting need not include any purpose of the
19 meeting.

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

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

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

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

34 NEW SECTION. **Sec. 510.** QUORUM OF MEMBERS. Unless the organic

1 rules otherwise require a greater number of members or percentage of
2 the voting power, the voting member or members present at a members
3 meeting constitute a quorum.

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

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

- 11 (a) One member, one vote;
- 12 (b) Use or patronage;
- 13 (c) Equity; or
- 14 (d) If a patron member is a cooperative, the number of its patron
15 members.

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

18 NEW SECTION. **Sec. 513.** VOTING BY INVESTOR MEMBERS. If the
19 organic rules provide for investor members, each investor member has
20 one vote, unless the organic rules otherwise provide. The organic
21 rules may provide for the allocation of investor member voting power by
22 class, classes, or any combination of classes.

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

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

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

- 30 (a) All members voting at the meeting unless more than a majority
31 is required by sections 401 through 407, 1201 through 1215, 1501
32 through 1504, or 1601 through 1612 of this act or the organic rules;
33 and

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

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

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

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

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

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

19 NEW SECTION. Sec. 516. ACTION WITHOUT A MEETING. (1) Unless the
20 organic rules require that action be taken only at a members meeting,
21 any action that may be taken by the members may be taken without a
22 meeting if each member entitled to vote on the action consents in a
23 record to the action.

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

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

29 NEW SECTION. Sec. 517. DISTRICTS AND DELEGATES; CLASSES OF
30 MEMBERS. (1) The organic rules may provide for the formation of
31 geographic districts of patron members and:

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

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

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

4 (3) The organic rules may provide for the establishment of classes
5 of members, for the preferences, rights, and limitations of the
6 classes, and:

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

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

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

14 **PART 6**

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

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

17 (1) Is personal property;

18 (2) Consists of:

19 (a) Governance rights;

20 (b) Financial rights; and

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

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

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

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

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

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

31 (b) If admitted as an investor member, remains an investor member;

32 and

33 (c) If admitted as a patron member and investor member, remains a
34 patron member and investor member if not dissociated in one of the
35 capacities.

1 NEW SECTION. **Sec. 603.** TRANSFERABILITY OF MEMBER'S INTEREST. (1)

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

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

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

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

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

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

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

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

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

26 (8) A transfer of a member's financial rights in violation of a
27 restriction on transfer contained in the organic rules is ineffective
28 as to a person having notice of the restriction at the time of
29 transfer.

30 NEW SECTION. **Sec. 604.** SECURITY INTEREST AND SETOFF. (1) A

31 member or transferee may create an enforceable security interest in its
32 financial rights in a limited cooperative association.

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

36 (3) The organic rules may provide that a limited cooperative
37 association has a security interest in the financial rights of a member

1 to secure payment of any indebtedness or other obligation of the member
2 to the association. A security interest provided for in the organic
3 rules is enforceable under, and governed by, chapter 62A.9A RCW.

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

7 NEW SECTION. **Sec. 605.** CHARGING ORDERS FOR JUDGMENT CREDITOR OF
8 MEMBER OR TRANSFEREE. (1) On application by a judgment creditor of a
9 member or transferee, a court may enter a charging order against the
10 financial rights of the judgment debtor for the unsatisfied amount of
11 the judgment. A charging order issued under this subsection
12 constitutes a lien on the judgment debtor's financial rights and
13 requires the limited cooperative association to pay over to the
14 creditor or receiver, to the extent necessary to satisfy the judgment,
15 any distribution that would otherwise be paid to the judgment debtor.

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

19 (a) Appoint a receiver of the share of the distributions due or to
20 become due to the judgment debtor under the judgment debtor's financial
21 rights, with the power to make all inquiries the judgment debtor might
22 have made; and

23 (b) Make all other orders that the circumstances of the case may
24 require to give effect to the charging order.

25 (3) Upon a showing that distributions under a charging order will
26 not pay the judgment debt within a reasonable time, the court may
27 foreclose the lien and order the sale of the financial rights. The
28 purchaser at the foreclosure sale obtains only the financial rights
29 that are subject to the charging order, does not thereby become a
30 member, and is subject to section 603 of this act.

31 (4) At any time before a sale pursuant to a foreclosure, a member
32 or transferee whose financial rights are subject to a charging order
33 under subsection (1) of this section may extinguish the charging order
34 by satisfying the judgment and filing a certified copy of the
35 satisfaction with the court that issued the charging order.

36 (5) At any time before sale pursuant to a foreclosure, the limited
37 cooperative association or one or more members whose financial rights

1 are not subject to the charging order may pay to the judgment creditor
2 the full amount due under the judgment and succeed to the rights of the
3 judgment creditor, including the charging order. Unless the organic
4 rules otherwise provide, the association may act under this subsection
5 only with the consent of all members whose financial rights are not
6 subject to the charging order.

7 (6) This chapter does not deprive any member or transferee of the
8 benefit of any exemption laws applicable to the member's or
9 transferee's financial rights.

10 (7) This section provides the exclusive remedy by which a judgment
11 creditor of a member or transferee may satisfy the judgment from the
12 member's or transferee's financial rights.

13 **PART 7**

14 **MARKETING CONTRACTS**

15 NEW SECTION. **Sec. 701.** **AUTHORITY.** For the purposes of sections
16 701 through 704 of this act, "marketing contract" means a contract
17 between a limited cooperative association and another person, that need
18 not be a patron member:

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

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

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

30 (2) A marketing contract may:

31 (a) Authorize a limited cooperative association to create an
32 enforceable security interest in the products, commodities, or goods
33 delivered; and

34 (b) Allow the association to sell the products, commodities, or

1 goods delivered and pay the sales price on a pooled or other basis
2 after deducting selling costs, processing costs, overhead, expenses,
3 and other charges.

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

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

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

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

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

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

26 **PART 8**
27 **DIRECTORS AND OFFICERS**

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

33 (2) The affairs of a limited cooperative association must be

1 managed by, or under the direction of, the board of directors. The
2 board may adopt policies and procedures that do not conflict with the
3 organic rules or this chapter.

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

6 NEW SECTION. **Sec. 802.** NO LIABILITY AS DIRECTOR FOR LIMITED
7 COOPERATIVE ASSOCIATION'S OBLIGATIONS. A debt, obligation, or other
8 liability of a limited cooperative association is solely that of the
9 association and is not a debt, obligation, or liability of a director
10 solely by reason of being a director. An individual is not personally
11 liable, directly or indirectly, for an obligation of an association
12 solely by reason of being a director.

13 NEW SECTION. **Sec. 803.** QUALIFICATIONS OF DIRECTORS. (1) Unless
14 the organic rules otherwise provide, and subject to subsection (3) of
15 this section, each director of a limited cooperative association must
16 be an individual who is a member of the association or an individual
17 who is designated by a member that is not an individual for purposes of
18 qualifying and serving as a director. Initial directors need not be
19 members.

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

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

- 24 (a) One, if there are two through four directors;
- 25 (b) Two, if there are five through eight directors; or
- 26 (c) One-third of the total number of directors if there are at
27 least nine directors.

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

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

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

- 34 (i) One, if there are two or three directors;
- 35 (ii) Two, if there are four or five directors;

1 (iii) Three, if there are six through eight directors; or
2 (iv) One-third of the directors if there are at least nine
3 directors; and

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

6 (2) Unless the organic rules otherwise provide, if a limited
7 cooperative association has investor members, the directors who are not
8 elected exclusively by patron members are elected by the investor
9 members.

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

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

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

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

20 (7) Except as otherwise provided by the organic rules, subsection
21 (5) of this section, or sections 303, 516, 517, and 809 of this act,
22 member directors must be elected at an annual members meeting.

23 NEW SECTION. **Sec. 805.** TERM OF DIRECTOR. (1) Unless the organic
24 rules otherwise provide, and subject to subsections (3) and (4) of this
25 section and section 303(3) of this act, the term of a director expires
26 at the annual members meeting following the director's election or
27 appointment. The term of a director may not exceed three years.

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

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

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

1 NEW SECTION. **Sec. 806.** RESIGNATION OF DIRECTOR. A director may
2 resign at any time by giving notice in a record to the limited
3 cooperative association. Unless the notice states a later effective
4 date, a resignation is effective when the notice is received by the
5 association.

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

- 8 (1) Members may remove a director with or without cause.
- 9 (2) A member or members holding at least ten percent of the total
10 voting power entitled to be voted in the election of a director may
11 demand removal of the director by one or more signed petitions
12 submitted to the officer of the limited cooperative association charged
13 with keeping its records.
- 14 (3) Upon receipt of a petition for removal of a director, an
15 officer of the association or the board of directors shall:
 - 16 (a) Call a special meeting of members to be held not later than
17 ninety days after receipt of the petition by the association; and
 - 18 (b) Mail or otherwise transmit or deliver in a record to the
19 members entitled to vote on the removal, and to the director to be
20 removed, notice of the meeting that complies with section 508 of this
21 act.
- 22 (4) A director is removed if the votes in favor of removal are
23 equal to or greater than the votes required to elect the director.

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

- 29 (a) Fraudulent conduct with respect to the association or its
30 members;
- 31 (b) Gross abuse of the position of director;
- 32 (c) Intentional or reckless infliction of harm on the association;
- 33 or
- 34 (d) Any other behavior, act, or omission as provided by the organic
35 rules.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10 NEW SECTION. **Sec. 813.** MEETINGS AND NOTICE. (1) Unless the
11 organic rules otherwise provide, a board of directors may establish a
12 time, date, and place for regular board meetings, and notice of the
13 time, date, place, or purpose of those meetings is not required.

14 (2) Unless the organic rules otherwise provide, notice of the time,
15 date, and place of a special meeting of a board of directors must be
16 given to all directors at least three days before the meeting, the
17 notice must contain a statement of the purpose of the meeting, and the
18 meeting is limited to the matters contained in the statement.

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

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

26 (a) The director objects to the meeting at the beginning of the
27 meeting or promptly upon the director's arrival at the meeting and does
28 not thereafter vote in favor of or otherwise assent to the action taken
29 at the meeting; or

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

34 NEW SECTION. **Sec. 815.** QUORUM. (1) Unless the articles of

1 organization provide for a greater number, a majority of the total
2 number of directors specified by the organic rules constitutes a quorum
3 for a meeting of the directors.

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

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

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

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

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

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

21 (3) An individual who is not a director and is serving on a
22 committee has the same rights, duties, and obligations as a director
23 serving on the committee.

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

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

29 (b) Approve or propose to members action requiring approval of
30 members; or

31 (c) Fill vacancies on the board of directors or any of its
32 committees.

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

1 (1) The discharge of the duties of a director or member of a
2 committee of the board of directors is governed by the law applicable
3 to directors of entities organized under chapter 23.86 RCW; and

4 (2) The liability of a director or member of a committee of the
5 board of directors is governed by the law applicable to directors of
6 entities organized under chapter 23.86 RCW.

7 NEW SECTION. **Sec. 819.** CONFLICT OF INTEREST. (1) The law
8 applicable to conflicts of interest between a director of an entity
9 organized under chapter 23.86 RCW governs conflicts of interest between
10 a limited cooperative association and a director or member of a
11 committee of the board of directors.

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

16 NEW SECTION. **Sec. 820.** OTHER CONSIDERATIONS OF DIRECTORS. Unless
17 the articles of organization otherwise provide, in considering the best
18 interests of a limited cooperative association, a director of the
19 association in discharging the duties of director, in conjunction with
20 considering the long-term and short-term interest of the association
21 and its patron members, may consider:

22 (1) The interest of employees, customers, and suppliers of the
23 association;

24 (2) The interest of the community in which the association
25 operates; and

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

28 NEW SECTION. **Sec. 821.** RIGHT OF DIRECTOR OR COMMITTEE MEMBER TO
29 INFORMATION. A director or a member of a committee appointed under
30 section 817 of this act may obtain, inspect, and copy all information
31 regarding the state of activities and financial condition of the
32 limited cooperative association and other information regarding the
33 activities of the association if the information is reasonably related
34 to the performance of the director's duties as director or the

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

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

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

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

9 (2) The organic rules may designate or, if the rules do not
10 designate, the board of directors shall designate, one of the
11 association's officers for preparing all records required by section
12 114 of this act and for the authentication of records.

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

16 (4) Officers of a limited cooperative association shall perform the
17 duties the organic rules prescribe or as authorized by the board of
18 directors not in a manner inconsistent with the organic rules.

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

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

25 NEW SECTION. **Sec. 823.** RESIGNATION AND REMOVAL OF OFFICERS. (1)

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

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

32 **PART 9**
33 **INDEMNIFICATION**

1 agreement made by a person before formation of a limited cooperative
2 association to make a contribution to the association:

3 (a) The agreement is irrevocable for six months after the agreement
4 is signed by the person unless all parties to the agreement consent to
5 the revocation.

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

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

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

15 (2) Unless the organic rules or an agreement to make a contribution
16 to a limited cooperative association otherwise provide, if a person
17 does not make a required contribution to an association, the person or
18 the person's estate is obligated, at the option of the association, to
19 contribute money equal to the value of the part of the contribution
20 that has not been made.

21 NEW SECTION. **Sec. 1004.** ALLOCATIONS OF PROFITS AND LOSSES. (1)

22 The organic rules may provide for allocating profits of a limited
23 cooperative association among members, among persons that are not
24 members but conduct business with the association, to an unallocated
25 account, or to any combination thereof. Unless the organic rules
26 otherwise provide, losses of the association must be allocated in the
27 same proportion as profits.

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

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

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

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

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

8 (a) An unallocated capital reserve; and

9 (b) Reasonable unallocated reserves for specific purposes,
10 including expansion and replacement of capital assets; education,
11 training, cooperative development; creation and distribution of
12 information concerning principles of cooperation; and community
13 responsibility.

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

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

21 (b) To investor members, if any, in the ratio of each investor
22 member's contributions to the total contributions of all investor
23 members.

24 (6) For purposes of allocation of profits and losses or specific
25 items of profits or losses of a limited cooperative association to
26 members, the organic rules may establish allocation units or methods
27 based on separate classes of members or, for patron members, on class,
28 function, division, district, department, allocation units, pooling
29 arrangements, members' contributions, or other equitable methods.

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

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

1 NEW SECTION. **Sec. 1006.** REDEMPTION OR REPURCHASE. Property
2 distributed to a member by a limited cooperative association, other
3 than money, may be redeemed or repurchased as provided in the organic
4 rules but a redemption or repurchase may not be made without
5 authorization by the board of directors. The board may withhold
6 authorization for any reason in its sole discretion. A redemption or
7 repurchase is treated as a distribution for purposes of section 1007 of
8 this act.

9 NEW SECTION. **Sec. 1007.** LIMITATIONS ON DISTRIBUTIONS. (1) A
10 limited cooperative association may not make a distribution if, after
11 the distribution:

12 (a) The association would not be able to pay its debts as they
13 become due in the ordinary course of the association's activities; or

14 (b) The association's assets would be less than the sum of its
15 total liabilities.

16 (2) A limited cooperative association may base a determination that
17 a distribution is not prohibited under subsection (1) of this section
18 on financial statements prepared on the basis of accounting practices
19 and principles that are reasonable in the circumstances or on a fair
20 valuation or other method that is reasonable in the circumstances.

21 (3) Except as otherwise provided in subsection (4) of this section,
22 the effect of a distribution allowed under subsection (2) of this
23 section is measured:

24 (a) In the case of distribution by purchase, redemption, or other
25 acquisition of financial rights in the limited cooperative association,
26 as of the date money or other property is transferred or debt is
27 incurred by the association; and

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

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

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

33 (4) If indebtedness is issued as a distribution, each payment of
34 principal or interest on the indebtedness is treated as a distribution,
35 the effect of which is measured on the date the payment is made.

36 (5) For purposes of this section, "distribution" does not include
37 reasonable amounts paid to a member in the ordinary course of business

1 as payment or compensation for commodities, goods, past or present
2 services, or reasonable payments made in the ordinary course of
3 business under a bona fide retirement or other benefits program.

4 NEW SECTION. **Sec. 1008.** LIABILITY FOR IMPROPER DISTRIBUTIONS;
5 LIMITATION OF ACTION. (1) A director who consents to a distribution
6 that violates section 1007 of this act is personally liable to the
7 limited cooperative association for the amount of the distribution that
8 exceeds the amount that could have been distributed without the
9 violation if it is established that in consenting to the distribution
10 the director failed to comply with section 818 or 819 of this act.

11 (2) A member or transferee of financial rights that received a
12 distribution knowing that the distribution was made in violation of
13 section 1007 of this act is personally liable to the limited
14 cooperative association to the extent the distribution exceeded the
15 amount that could have been properly paid.

16 (3) A director against whom an action is commenced under subsection
17 (1) of this section may:

18 (a) Implead in the action any other director who is liable under
19 subsection (1) of this section and compel contribution from the person;
20 and

21 (b) Implead in the action any person that is liable under
22 subsection (2) of this section and compel contribution from the person
23 in the amount the person received as described in subsection (2) of
24 this section.

25 (4) An action under this section is barred if it is commenced later
26 than two years after the distribution.

27 NEW SECTION. **Sec. 1009.** ALTERNATIVE DISTRIBUTION OF UNCLAIMED
28 PROPERTY, DISTRIBUTIONS, REDEMPTIONS, OR PAYMENTS. A limited
29 cooperative association may distribute unclaimed property,
30 distributions, redemptions, or payments under RCW 23.86.160.

31 **PART 11**
32 **DISSOCIATION**

33 NEW SECTION. **Sec. 1101.** MEMBER'S DISSOCIATION. (1) A person has

1 the power to dissociate as a member at any time, rightfully or
2 wrongfully, by express will.

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

6 (a) Breaches an express provision of the organic rules; or

7 (b) Occurs before the termination of the limited cooperative
8 association and:

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

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

15 (3) Unless the organic rules otherwise provide, a person that
16 wrongfully dissociates as a member is liable to the limited cooperative
17 association for damages caused by the dissociation. The liability is
18 in addition to any other debt, obligation, or liability of the person
19 to the association.

20 (4) A member is dissociated from the limited cooperative
21 association as a member when:

22 (a) The association receives notice in a record of the member's
23 express will to dissociate as a member, or if the member specifies in
24 the notice an effective date later than the date the association
25 received notice, on that later date;

26 (b) An event stated in the organic rules as causing the member's
27 dissociation as a member occurs;

28 (c) The member is expelled as a member under the organic rules;

29 (d) The member is expelled as a member by the board of directors
30 because:

31 (i) It is unlawful to carry on the association's activities with
32 the member as a member;

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

35 (A) A creation or perfection of a security interest; or

36 (B) A charging order in effect under section 505 of this act that
37 has not been foreclosed;

1 (iii) The member is a limited liability company, association, or
2 partnership, it has been dissolved, and its business is being wound up;

3 (iv) The member is a corporation or cooperative and:

4 (A) The member filed a certificate of dissolution or the
5 equivalent, or the jurisdiction of formation revoked the association's
6 charter or right to conduct business;

7 (B) The association sends a notice to the member that it will be
8 expelled as a member for a reason described in (d)(iv)(A) of this
9 subsection; and

10 (C) Not later than ninety days after the notice was sent under
11 (d)(iv)(B) of this subsection, the member did not revoke its
12 certificate of dissolution or the equivalent, or the jurisdiction of
13 formation did not reinstate the association's charter or right to
14 conduct business; or

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

16 (e) In the case of a member who is an individual, the individual
17 dies;

18 (f) In the case of a member that is a trust or is acting as a
19 member by virtue of being a trustee of a trust, all the trust's
20 financial rights in the association are distributed;

21 (g) In the case of a member that is an estate, the estate's entire
22 financial interest in the association is distributed;

23 (h) In the case of a member that is not an individual, partnership,
24 limited liability company, cooperative, corporation, trust, or estate,
25 the member is terminated; or

26 (i) The association's participation in a merger if, under the plan
27 of merger as approved under sections 1601 through 1612 of this act, the
28 member ceases to be a member.

29 NEW SECTION. **Sec. 1102.** EFFECT OF DISSOCIATION AS MEMBER. (1)

30 Upon a member's dissociation:

31 (a) Subject to section 1103 of this act, the person has no further
32 rights as a member; and

33 (b) Subject to sections 1103 and 1601 through 1612 of this act, any
34 financial rights owned by the person in the person's capacity as a
35 member immediately before dissociation are owned by the person as a
36 transferee.

1 (2) A person's dissociation as a member does not of itself
2 discharge the person from any debt, obligation, or liability to the
3 limited cooperative association that the person incurred under the
4 organic rules, by contract, or by other means while a member.

5 NEW SECTION. **Sec. 1103.** POWER OF ESTATE OF MEMBER. Unless the
6 organic rules provide for greater rights, if a member is dissociated
7 because of death, dies, or is expelled by reason of being adjudged
8 incompetent, the member's personal representative or other legal
9 representative may exercise the rights of a transferee of the member's
10 financial rights and, for purposes of settling the estate of a deceased
11 member, may exercise the informational rights of a current member to
12 obtain information under section 505 of this act.

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

15 NEW SECTION. **Sec. 1201.** DISSOLUTION AND WINDING UP. A limited
16 cooperative association is dissolved only as provided in sections 1201
17 through 1215 of this act and upon dissolution winds up in accordance
18 with sections 1201 through 1215 of this act.

19 NEW SECTION. **Sec. 1202.** NONJUDICIAL DISSOLUTION. Except as
20 otherwise provided in sections 1203 and 1211 of this act, a limited
21 cooperative association is dissolved and its activities must be wound
22 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 least
33 two members, at least one of which is a patron member.

1 NEW SECTION. **Sec. 1203.** JUDICIAL DISSOLUTION. The superior court
2 may dissolve a limited cooperative association or order any action that
3 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 authority
8 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 threatened
13 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, oppressive,
16 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 COMMENCEMENT
23 OF ACTIVITY. A majority of the organizers or initial directors of a
24 limited cooperative association that has not yet begun business
25 activity or the conduct of its affairs may dissolve the association.

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

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

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

35 (c) The board of directors must mail or otherwise transmit or

1 deliver to each member in a record that complies with section 508 of
2 this act:

- 3 (i) The resolution required by (a) of this subsection;
- 4 (ii) A recommendation that the members vote in favor of the
5 resolution or, if the board determines that because of conflict of
6 interest or other special circumstances it should not make a favorable
7 recommendation, the basis of that determination; and
- 8 (iii) Notice of the members meeting, which must be given in the
9 same manner as notice of a special meeting of members.

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

- 12 (a) At least two-thirds of the voting power of members present at
13 a members meeting called under subsection (1)(b) of this section; and
- 14 (b) If the limited cooperative association has investor members, at
15 least a majority of the votes cast by patron members, unless the
16 organic rules require a greater percentage.

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

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

23 NEW SECTION. **Sec. 1206.** WINDING UP. (1) A limited cooperative
24 association continues after dissolution only for purposes of winding up
25 its activities.

26 (2) In winding up a limited cooperative association's activities,
27 the board of directors shall cause the association to:

- 28 (a) Discharge its liabilities, settle and close its activities, and
29 marshal and distribute its assets;
- 30 (b) Preserve the association or its property as a going concern for
31 no more than a reasonable time;
- 32 (c) Prosecute and defend actions and proceedings;
- 33 (d) Transfer association property; and
- 34 (e) Perform other necessary acts.

35 (3) After dissolution and upon application of a limited cooperative
36 association, a member, or a holder of financial rights, the superior

1 court may order judicial supervision of the winding up of the
2 association, including the appointment of a person to wind up the
3 association's activities, if:

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

6 (b) The applicant establishes other good cause.

7 (4) If a person is appointed pursuant to subsection (3) of this
8 section to wind up the activities of a limited cooperative association,
9 the association shall promptly deliver to the secretary of state for
10 filing an amendment to the articles of organization to reflect the
11 appointment.

12 NEW SECTION. **Sec. 1207.** DISTRIBUTION OF ASSETS IN WINDING UP
13 LIMITED COOPERATIVE ASSOCIATION. (1) In winding up a limited
14 cooperative association's business, the association shall apply its
15 assets to discharge its obligations to creditors, including members
16 that are creditors. The association shall apply any remaining assets
17 to pay in money the net amount distributable to members in accordance
18 with their right to distributions under subsection (2) of this section.

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

29 NEW SECTION. **Sec. 1208.** KNOWN CLAIMS AGAINST DISSOLVED LIMITED
30 COOPERATIVE ASSOCIATION. (1) Subject to subsection (4) of this
31 section, a dissolved limited cooperative association may dispose of the
32 known claims against it by following the procedure in subsections (2)
33 and (3) of this section.

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

36 (a) Specify that a claim be in a record;

1 (b) Specify the information required to be included in the claim;
2 (c) Provide an address to which the claim must be sent;
3 (d) State the deadline for receipt of the claim, which may not be
4 less than one hundred twenty days after the date the notice is received
5 by the claimant; and

6 (e) State that the claim will be barred if not received by the
7 deadline.

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

11 (a) The association is not notified of the claimant's claim, in a
12 record, by the deadline specified in the notice under subsection (2)(d)
13 of this section;

14 (b) In the case of a claim that is timely received but rejected by
15 the association, the claimant does not commence an action to enforce
16 the claim against the association not later than ninety days after
17 receipt of the notice of the rejection; or

18 (c) If a claim is timely received but is neither accepted nor
19 rejected by the association not later than one hundred twenty days
20 after the deadline for receipt of claims, the claimant does not
21 commence an action to enforce the claim against the association:

22 (i) After the one hundred twenty-day period; and

23 (ii) Not later than ninety days after the one hundred twenty-day
24 period.

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

28 NEW SECTION. Sec. 1209. OTHER CLAIMS AGAINST DISSOLVED LIMITED
29 COOPERATIVE ASSOCIATION. (1) A dissolved limited cooperative
30 association may publish notice of its dissolution and request persons
31 having claims against the association to present them in accordance
32 with the notice.

33 (2) A notice under subsection (1) of this section must:

34 (a) Be published at least once in a newspaper of general
35 circulation in the county in which the dissolved limited cooperative
36 association's principal office is located or, if the association does

1 not have a principal office in this state, in the county in which the
2 association's designated office is or was last located;

3 (b) Describe the information required to be contained in a claim
4 and provide an address to which the claim is to be sent; and

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

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

13 (a) A claimant that is entitled to but did not receive notice in a
14 record under section 1208 of this act; and

15 (b) A claimant whose claim is contingent or based on an event
16 occurring after the effective date of dissolution.

17 (4) A claim not barred under this section may be enforced:

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

20 (b) If the association's assets have been distributed in connection
21 with winding up the association's activities against a member or holder
22 of financial rights to the extent of that person's proportionate share
23 of the claim or the association's assets distributed to the person in
24 connection with the winding up, whichever is less. The person's total
25 liability for all claims under this subsection shall not exceed the
26 total amount of assets distributed to the person as part of the winding
27 up of the association.

28 NEW SECTION. **Sec. 1210.** COURT PROCEEDING. (1) Upon application
29 by a dissolved limited cooperative association that has published a
30 notice under section 1209 of this act, the superior court in the county
31 where the association's principal office is located or, if the
32 association does not have a principal office in this state where its
33 designated office in this state is located, may determine the amount
34 and form of security to be provided for payment of claims against the
35 association that are contingent, have not been made known to the
36 association, or are based on an event occurring after the effective

1 date of dissolution but that, based on the facts known to the
2 association, are reasonably anticipated to arise after the effective
3 date of dissolution.

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

8 (3) The court may appoint a representative in a proceeding brought
9 under this section to represent all claimants whose identities are
10 unknown. The dissolved limited cooperative association shall pay
11 reasonable fees and expenses of the representative, including all
12 reasonable attorneys' and expert witness fees.

13 (4) Provision by the dissolved limited cooperative association for
14 security in the amount and the form ordered by the court satisfies the
15 association's obligations with respect to claims that are contingent,
16 have not been made known to the association, or are based on an event
17 occurring after the effective date of dissolution, and the claims may
18 not be enforced against a member that received a distribution.

19 NEW SECTION. **Sec. 1211.** ADMINISTRATIVE DISSOLUTION. (1) The
20 secretary of state may dissolve a limited cooperative association
21 administratively if the association does not:

22 (a) Pay, not later than sixty days after the due date, any fee,
23 tax, or penalty due to the secretary of state under this chapter; or

24 (b) Deliver not later than sixty days after the due date its annual
25 report to the secretary of state.

26 (2) If the secretary of state determines that a ground exists for
27 dissolving a limited cooperative association administratively, the
28 secretary of state shall file a record of the determination and serve
29 the association with a copy of the record.

30 (3) If, not later than sixty days after service of a copy of the
31 secretary of state's determination under subsection (2) of this
32 section, the association does not correct each ground for dissolution
33 or demonstrate to the satisfaction of the secretary of state that each
34 uncorrected ground determined by the secretary of state does not exist,
35 the secretary of state shall dissolve the association administratively
36 by preparing and filing a declaration of dissolution that states the

1 grounds for dissolution. The secretary of state shall serve the
2 association with a copy of the declaration.

3 (4) A limited cooperative association that has been dissolved
4 administratively continues its existence only for purposes of winding
5 up its activities.

6 (5) The administrative dissolution of a limited cooperative
7 association does not terminate the authority of its agent for service
8 of process.

9 NEW SECTION. **Sec. 1212.** REINSTATEMENT FOLLOWING ADMINISTRATIVE
10 DISSOLUTION. (1) A limited cooperative association that has been
11 dissolved administratively may apply to the secretary of state for
12 reinstatement not later than two years after the effective date of
13 dissolution. The application must be delivered to the secretary of
14 state for filing and state:

15 (a) The name of the association and the effective date of its
16 administrative dissolution;

17 (b) That the grounds for dissolution either did not exist or have
18 been eliminated; and

19 (c) That the association's name satisfies the requirements of
20 section 111 of this act.

21 (2) If the secretary of state determines that an application
22 contains the information required by subsection (1) of this section and
23 that the information is correct, the secretary of state shall:

24 (a) Prepare a declaration of reinstatement;

25 (b) File the original of the declaration; and

26 (c) Serve a copy of the declaration on the association.

27 (3) When reinstatement under this section becomes effective, it
28 relates back to and takes effect as of the effective date of the
29 administrative dissolution, and the limited cooperative association may
30 resume or continue its activities as if the administrative dissolution
31 had not occurred.

32 NEW SECTION. **Sec. 1213.** DENIAL OF REINSTATEMENT; APPEAL. (1) If
33 the secretary of state denies a limited cooperative association's
34 application for reinstatement following administrative dissolution, the
35 secretary of state shall prepare and file a notice that explains the
36 reason for denial and serve the association with a copy of the notice.

1 (2) Not later than thirty days after service of a notice of denial
2 of reinstatement by the secretary of state, a limited cooperative
3 association may appeal the denial by petitioning the superior court of
4 Thurston county to set aside the dissolution. The petition must be
5 served on the secretary of state and contain a copy of the secretary of
6 state's declaration of dissolution, the association's application for
7 reinstatement, and the secretary of state's notice of denial.

8 (3) The court may summarily order the secretary of state to
9 reinstate the dissolved cooperative association or may take other
10 action the court considers appropriate.

11 NEW SECTION. Sec. 1214. STATEMENT OF DISSOLUTION. (1) A limited
12 cooperative association that has dissolved or is about to dissolve may
13 deliver to the secretary of state for filing a statement of dissolution
14 that states:

- 15 (a) The name of the association;
- 16 (b) The date the association dissolved or will dissolve; and
- 17 (c) Any other information the association considers relevant.

18 (2) A person has notice of a limited cooperative association's
19 dissolution on the later of:

- 20 (a) Ninety days after a statement of dissolution is filed; or
- 21 (b) The effective date stated in the statement of dissolution.

22 NEW SECTION. Sec. 1215. STATEMENT OF TERMINATION. (1) A
23 dissolved limited cooperative association that has completed winding up
24 may deliver to the secretary of state for filing a statement of
25 termination that states:

- 26 (a) The name of the association;
- 27 (b) The date of filing of its initial articles of organization; and
- 28 (c) That the association is terminated.

29 (2) The filing of a statement of termination does not itself
30 terminate the limited cooperative association.

31 **PART 13**
32 **ACTION BY MEMBER**

33 NEW SECTION. Sec. 1301. DERIVATIVE ACTION. A member may maintain

1 a derivative action to enforce a right of a limited cooperative
2 association if:

3 (1) The member demands that the association bring an action to
4 enforce the right; and

5 (2) Any of the following occur:

6 (a) The association does not, not later than ninety days after the
7 member makes the demand, agree to bring the action;

8 (b) The association notifies the member that it has rejected the
9 demand;

10 (c) Irreparable harm to the association would result by waiting
11 ninety days after the member makes the demand; or

12 (d) The association agrees to bring an action demanded and fails to
13 bring the action within a reasonable time.

14 NEW SECTION. Sec. 1302. PROPER PLAINTIFF. (1) A derivative
15 action to enforce a right of a limited cooperative association may be
16 maintained only by a person that:

17 (a) Is a member or a dissociated member at the time the action is
18 commenced, and:

19 (i) Was a member when the conduct giving rise to the action
20 occurred; or

21 (ii) Whose status as a member devolved upon the person by operation
22 of law or the organic rules from a person that was a member at the time
23 of the conduct; and

24 (b) Adequately represents the interests of the association.

25 (2) If the sole plaintiff in a derivative action dies while the
26 action is pending, the court may permit another member who meets the
27 requirements of subsection (1) of this section to be substituted as
28 plaintiff.

29 NEW SECTION. Sec. 1303. PLEADING. In a derivative action to
30 enforce a right of a limited cooperative association, the complaint
31 must state:

32 (1) the date and content of the plaintiff's demand under section
33 1301(1) of this act and the association's response;

34 (2) If ninety days have not expired since the demand, how
35 irreparable harm to the association would result by waiting for the
36 expiration of ninety days; and

1 (3) If the association agreed to bring an action demanded, that the
2 action has not been brought within a reasonable time.

3 NEW SECTION. **Sec. 1304.** APPROVAL FOR DISCONTINUANCE OR
4 SETTLEMENT. A derivative action to enforce a right of a limited
5 cooperative association may not be discontinued or settled without the
6 court's approval.

7 NEW SECTION. **Sec. 1305.** PROCEEDS AND EXPENSES. (1) Except as
8 otherwise provided in subsection (2) of this section:

9 (a) Any proceeds or other benefits of a derivative action to
10 enforce a right of a limited cooperative association, whether by
11 judgment, compromise, or settlement, belong to the association and not
12 to the plaintiff; and

13 (b) If the plaintiff in the derivative action receives any
14 proceeds, the plaintiff shall immediately remit them to the
15 association.

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

20 **PART 14**

21 **FOREIGN COOPERATIVES**

22 NEW SECTION. **Sec. 1401.** GOVERNING LAW. (1) The law of the state
23 or other jurisdiction under which a foreign cooperative is organized
24 governs relations among the members of the foreign cooperative and
25 between the members and the foreign cooperative.

26 (2) A foreign cooperative may not be denied a certificate of
27 authority because of any difference between the law of the jurisdiction
28 under which the foreign cooperative is organized and the law of this
29 state.

30 (3) A certificate of authority does not authorize a foreign
31 cooperative to engage in any activity or exercise any power that a
32 limited cooperative association may not engage in or exercise in this
33 state.

1 NEW SECTION. **Sec. 1402.** APPLICATION FOR CERTIFICATE OF AUTHORITY.

2 (1) A foreign cooperative may apply for a certificate of authority by
3 delivering an application to the secretary of state for filing. The
4 application must state:

5 (a) The name of the foreign cooperative and, if the name does not
6 comply with section 111 of this act, an alternative name adopted
7 pursuant to section 1405 of this act;

8 (b) The name of the state or other jurisdiction under whose law the
9 foreign cooperative is organized;

10 (c) The street address and, if different, mailing address of the
11 principal office and, if the law of the jurisdiction under which the
12 foreign cooperative is organized requires the foreign cooperative to
13 maintain another office in that jurisdiction, the street address and,
14 if different, mailing address of the required office;

15 (d) The street address and, if different, mailing address of the
16 foreign cooperative's designated office in this state, and the name of
17 the foreign cooperative's agent for service of process at the
18 designated office; and

19 (e) The name, street address and, if different, mailing address of
20 each of the foreign cooperative's current directors and officers.

21 (2) A foreign cooperative shall deliver with a completed
22 application under subsection (1) of this section a certificate of
23 existence or a similar record signed by the secretary of state or other
24 official having custody of the foreign cooperative's publicly filed
25 records in the state or other jurisdiction under whose law the foreign
26 cooperative is organized.

27 NEW SECTION. **Sec. 1403.** ACTIVITIES NOT CONSTITUTING TRANSACTING
28 BUSINESS. (1) Activities of a foreign cooperative that do not
29 constitute transacting business in this state under sections 1401
30 through 1408 of this act include:

31 (a) Maintaining, defending, and settling an action or proceeding;

32 (b) Holding meetings of the foreign cooperative's members or
33 directors or carrying on any other activity concerning the foreign
34 cooperative's internal affairs;

35 (c) Maintaining accounts in financial institutions;

36 (d) Maintaining offices or agencies for the transfer, exchange, and

1 registration of the foreign cooperative's own securities or maintaining
2 trustees or depositories with respect to those securities;

3 (e) Selling through independent contractors;

4 (f) Soliciting or obtaining orders, whether by mail or electronic
5 means, through employees, agents, or otherwise, if the orders require
6 acceptance outside this state before they become contracts;

7 (g) Creating or acquiring indebtedness, mortgages, or security
8 interests in real or personal property;

9 (h) Securing or collecting debts or enforcing mortgages or other
10 security interests in property securing the debts, and holding,
11 protecting, and maintaining property so acquired;

12 (i) Conducting an isolated transaction that is completed within
13 thirty days and is not one in the course of similar transactions; and

14 (j) Transacting business in interstate commerce.

15 (2) For purposes of sections 1401 through 1408 of this act, the
16 ownership in this state of income-producing real property or tangible
17 personal property, other than property excluded under subsection (1) of
18 this section, constitutes transacting business in this state.

19 (3) This section does not apply in determining the contacts or
20 activities that may subject a foreign cooperative to service of
21 process, taxation, or regulation under law of this state other than
22 this chapter.

23 NEW SECTION. **Sec. 1404.** ISSUANCE OF CERTIFICATE OF AUTHORITY.

24 Unless the secretary of state determines that an application for a
25 certificate of authority does not comply with the filing requirements
26 of this chapter, the secretary of state, upon payment by the foreign
27 cooperative of all filing fees, shall file the application, issue a
28 certificate of authority, and send a copy of the filed certificate,
29 together with a receipt for the fees, to the foreign cooperative or its
30 representative.

31 NEW SECTION. **Sec. 1405.** NONCOMPLYING NAME OF FOREIGN COOPERATIVE.

32 (1) A foreign cooperative whose name does not comply with section 111
33 of this act may not obtain a certificate of authority until it adopts,
34 for the purpose of transacting business in this state, an alternative
35 name that complies with section 111 of this act. A foreign cooperative
36 that adopts an alternative name under this subsection and then obtains

1 a certificate of authority with that name need not also comply with
2 chapter 19.80 RCW. After obtaining a certificate of authority with an
3 alternative name, a foreign cooperative's business in this state must
4 be transacted under that name unless the foreign cooperative is
5 authorized under chapter 19.80 RCW to transact business in this state
6 under another name.

7 (2) If a foreign cooperative authorized to transact business in
8 this state changes its name to one that does not comply with section
9 111 of this act, it may not thereafter transact business in this state
10 until it complies with subsection (1) of this section and obtains an
11 amended certificate of authority.

12 NEW SECTION. **Sec. 1406.** REVOCATION OF CERTIFICATE OF AUTHORITY.

13 (1) A certificate of authority may be revoked by the secretary of state
14 in the manner provided in subsection (2) of this section if the foreign
15 cooperative does not:

16 (a) Pay, not later than sixty days after the due date, any fee,
17 tax, or penalty due to the secretary of state under this chapter;

18 (b) Deliver, not later than sixty days after the due date, its
19 annual report;

20 (c) Appoint and maintain an agent for service of process; or

21 (d) Deliver for filing a statement of change not later than thirty
22 days after a change has occurred in the name of the agent or the
23 address of the foreign cooperative's designated office.

24 (2) To revoke a certificate of authority, the secretary of state
25 must file a notice of revocation and send a copy to the foreign
26 cooperative's registered agent for service of process in this state or,
27 if the foreign cooperative does not appoint and maintain an agent for
28 service of process in this state, to the foreign cooperative's
29 principal office. The notice must state:

30 (a) The revocation's effective date, which must be at least sixty
31 days after the date the secretary of state sends the copy; and

32 (b) The foreign cooperative's noncompliance that is the reason for
33 the revocation.

34 (3) The authority of a foreign cooperative to transact business in
35 this state ceases on the effective date of the notice of revocation
36 unless before that date the foreign cooperative cures each failure to

1 comply stated in the notice. If the foreign cooperative cures the
2 failures, the secretary of state shall so indicate on the filed notice.

3 NEW SECTION. **Sec. 1407.** CANCELLATION OF CERTIFICATE OF AUTHORITY;
4 EFFECT OF FAILURE TO HAVE CERTIFICATE. (1) To cancel its certificate
5 of authority, a foreign cooperative must deliver to the secretary of
6 state for filing a notice of cancellation. The certificate is canceled
7 when the notice becomes effective under section 203 of this act.

8 (2) A foreign cooperative transacting business in this state may
9 not maintain an action or proceeding in this state unless it has a
10 certificate of authority.

11 (3) The failure of a foreign cooperative to have a certificate of
12 authority does not impair the validity of a contract or act of the
13 foreign cooperative or prevent the foreign cooperative from defending
14 an action or proceeding in this state.

15 (4) A member of a foreign cooperative is not liable for the
16 obligations of the foreign cooperative solely by reason of the foreign
17 cooperative's having transacted business in this state without a
18 certificate of authority.

19 (5) If a foreign cooperative transacts business in this state
20 without a certificate of authority or cancels its certificate, it
21 appoints the secretary of state as its agent for service of process for
22 an action arising out of the transaction of business in this state.

23 NEW SECTION. **Sec. 1408.** ACTION BY ATTORNEY GENERAL. The attorney
24 general may maintain an action to restrain a foreign cooperative from
25 transacting business in this state in violation of sections 1401
26 through 1408 of this act.

27 **PART 15**

28 **DISPOSITION OF ASSETS**

29 NEW SECTION. **Sec. 1501.** DISPOSITION OF ASSETS NOT REQUIRING
30 MEMBER APPROVAL. Unless the articles of organization otherwise
31 provide, member approval under section 1502 of this act is not required
32 for a limited cooperative association to:

33 (1) Sell, lease, exchange, license, or otherwise dispose of all or

1 any part of the assets of the association in the usual and regular
2 course of business; or

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

6 NEW SECTION. **Sec. 1502.** MEMBER APPROVAL OF OTHER DISPOSITION OF
7 ASSETS. A sale, lease, exchange, license, or other disposition of
8 assets of a limited cooperative association, other than a disposition
9 described in section 1501 of this act, requires approval of the
10 association's members under sections 1503 and 1504 of this act if the
11 disposition leaves the association without significant continuing
12 business activity.

13 NEW SECTION. **Sec. 1503.** NOTICE AND ACTION ON DISPOSITION OF
14 ASSETS. For a limited cooperative association to dispose of assets
15 under section 1502 of 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 consider
20 the proposed disposition, hold the meeting not later than ninety days
21 after approval of the proposed disposition by the board, and mail or
22 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 be
31 considered, which must be given in the same manner as notice of a
32 special meeting of members.

33 NEW SECTION. **Sec. 1504.** DISPOSITION OF ASSETS. (1) Subject to
34 subsection (2) of this section, a disposition of assets under section
35 1502 of this act must be approved by:

1 (a) At least two-thirds of the voting power of members present at
2 a members meeting called under section 1503(2) of this act; and

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

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

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

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

11 (c) A combination of (a) and (b) of this section.

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

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

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

21 (4) The voting requirements for districts, classes, or voting
22 groups under section 404 of this act apply to approval of a disposition
23 of assets under sections 1501 through 1504 of this act.

24 **PART 16**

25 **CONVERSION AND MERGER**

26 NEW SECTION. **Sec. 1601.** DEFINITIONS. The definitions in this
27 section apply throughout sections 1601 through 1612 of this act unless
28 the context clearly requires otherwise.

29 (1) "Constituent entity" means an entity that is a party to a
30 merger.

31 (2) "Constituent limited cooperative association" means a limited
32 cooperative association that is a party to a merger.

33 (3) "Converted entity" means the organization into which a
34 converting entity converts pursuant to sections 1602 through 1605 of
35 this act.

1 (4) "Converting entity" means an entity that converts into another
2 entity pursuant to sections 1602 through 1605 of this act.

3 (5) "Converting limited cooperative association" means a converting
4 entity that is a limited cooperative association.

5 (6) "Organizational documents" means articles of incorporation,
6 bylaws, articles of organization, operating agreements, partnership
7 agreements, or other documents serving a similar function in the
8 creation and governance of an entity.

9 (7) "Personal liability" means personal liability for a debt,
10 liability, or other obligation of an entity imposed, by operation of
11 law or otherwise, on a person that co-owns or has an interest in the
12 entity:

13 (a) By the entity's organic law solely because of the person co-
14 owning or having an interest in the entity; or

15 (b) By the entity's organizational documents under a provision of
16 the entity's organic law authorizing those documents to make one or
17 more specified persons liable for all or specified parts of the
18 entity's debts, liabilities, and other obligations solely because the
19 person co-owns or has an interest in the entity.

20 (8) "Surviving entity" means an entity into which one or more other
21 entities are merged, whether the entity existed before the merger or is
22 created by the merger.

23 NEW SECTION. **Sec. 1602.** CONVERSION. (1) An entity that is not a
24 limited cooperative association may convert to a limited cooperative
25 association and a limited cooperative association may convert to an
26 entity that is not a limited cooperative association pursuant to this
27 section, sections 1603 through 1605 of this act, and a plan of
28 conversion, if:

29 (a) The other entity's organic law authorizes the conversion;

30 (b) The conversion is not prohibited by the law of the jurisdiction
31 that enacted the other entity's organic law; and

32 (c) The other entity complies with its organic law in effecting the
33 conversion.

34 (2) A plan of conversion must be in a record and must include:

35 (a) The name and form of the entity before conversion;

36 (b) The name and form of the entity after conversion;

1 (c) The terms and conditions of the conversion, including the
2 manner and basis for converting interests in the converting entity into
3 any combination of money, interests in the converted entity, and other
4 consideration; and

5 (d) The organizational documents of the proposed converted entity.

6 NEW SECTION. **Sec. 1603.** ACTION ON PLAN OF CONVERSION BY
7 CONVERTING LIMITED COOPERATIVE ASSOCIATION. (1) For a limited
8 cooperative association to convert to another entity, a plan of
9 conversion must be approved by a majority of the board of directors, or
10 a greater percentage if required by the organic rules, and the board of
11 directors must call a members meeting to consider the plan of
12 conversion, hold the meeting not later than ninety days after approval
13 of the plan by the board, and mail or otherwise transmit or deliver in
14 a record to each member:

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

18 (b) A recommendation that the members approve the plan of
19 conversion, or if the board determines that because of a conflict of
20 interest or other circumstances it should not make a favorable
21 recommendation, the basis for that determination;

22 (c) A statement of any condition of the board's submission of the
23 plan of conversion to the members; and

24 (d) Notice of the meeting at which the plan of conversion will be
25 considered, which must be given in the same manner as notice of a
26 special meeting of members.

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

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

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

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

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

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

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

3 (4) The vote required to approve a plan of conversion may not be
4 less than the vote required for the members of the limited cooperative
5 association to amend the articles of organization.

6 (5) Consent in a record to a plan of conversion by a member must be
7 delivered to the limited cooperative association before delivery of
8 articles of conversion for filing if as a result of the conversion the
9 member will have:

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

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

12 (6) Subject to subsection (5) of this section and any contractual
13 rights, after a conversion is approved and at any time before the
14 effective date of the conversion, a converting limited cooperative
15 association may amend a plan of conversion or abandon the planned
16 conversion:

17 (a) As provided in the plan; and

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

21 (7) The voting requirements for districts, classes, or voting
22 groups under section 404 of this act apply to approval of a conversion
23 under sections 1601 through 1612 of this act.

24 NEW SECTION. **Sec. 1604.** FILINGS REQUIRED FOR CONVERSION;
25 EFFECTIVE DATE. (1) After a plan of conversion is approved:

26 (a) A converting limited cooperative association shall deliver to
27 the secretary of state for filing articles of conversion, which must
28 include:

29 (i) A statement that the limited cooperative association has been
30 converted into another entity;

31 (ii) The name and form of the converted entity and the jurisdiction
32 of its governing statute;

33 (iii) The date the conversion is effective under the governing
34 statute of the converted entity;

35 (iv) A statement that the conversion was approved as required by
36 this chapter;

1 (v) A statement that the conversion was approved as required by the
2 governing statute of the converted entity; and

3 (vi) If the converted entity is an entity organized in a
4 jurisdiction other than this state and is not authorized to transact
5 business in this state, the street address and, if different, mailing
6 address of an office that the secretary of state may use for purposes
7 of section 120 of this act; and

8 (b) If the converting entity is not a converting limited
9 cooperative association, the converting entity shall deliver to the
10 secretary of state for filing articles of organization, which must
11 include, in addition to the information required by section 302 of this
12 act:

13 (i) A statement that the association was converted from another
14 entity;

15 (ii) The name and form of the converting entity and the
16 jurisdiction of its governing statute; and

17 (iii) A statement that the conversion was approved in a manner that
18 complied with the converting entity's governing statute.

19 (2) A conversion becomes effective:

20 (a) If the converted entity is a limited cooperative association,
21 when the articles of conversion take effect pursuant to section 203(3)
22 of this act; or

23 (b) If the converted entity is not a limited cooperative
24 association, as provided by the governing statute of the converted
25 entity.

26 NEW SECTION. Sec. 1605. EFFECT OF CONVERSION. (1) An entity that
27 has been converted pursuant to sections 1601 through 1612 of this act
28 is for all purposes the same entity that existed before the conversion
29 and is not a new entity but, after conversion, is organized under the
30 organic law of the converted entity and is subject to that law and
31 other law as it applies to the converted entity.

32 (2) When a conversion takes effect under sections 1601 through 1612
33 of this act:

34 (a) All property owned by the converting entity remains vested in
35 the converted entity;

36 (b) All debts, liabilities, and other obligations of the converting
37 entity continue as obligations of the converted entity;

1 (c) An action or proceeding pending by or against the converting
2 entity may be continued as if the conversion had not occurred;

3 (d) Except as prohibited by other law, all the rights, privileges,
4 immunities, powers, and purposes of the converting entity remain vested
5 in the converted entity;

6 (e) Except as otherwise provided in the plan of conversion, the
7 terms and conditions of the plan of conversion take effect; and

8 (f) Except as otherwise provided in the plan of conversion, the
9 conversion does not dissolve a converting limited cooperative
10 association for purposes of sections 1201 through 1215 of this act.

11 (3) A converted entity that is an entity organized under the laws
12 of a jurisdiction other than this state consents to the jurisdiction of
13 the courts of this state to enforce any obligation owed by the
14 converting limited cooperative association if, before the conversion,
15 the converting limited cooperative association was subject to suit in
16 this state on the obligation. A converted entity that is an entity
17 organized under the laws of a jurisdiction other than this state and
18 not authorized to transact business in this state appoints the
19 secretary of state as its agent for service of process for purposes of
20 enforcing an obligation under this subsection. Service on the
21 secretary of state under this subsection is made in the same manner and
22 with the same consequences as under section 120 (3) and (4) of this
23 act.

24 NEW SECTION. **Sec. 1606.** MERGER. (1) One or more limited
25 cooperative associations may merge with one or more other entities
26 pursuant to sections 1601 through 1612 of this act and a plan of merger
27 if:

28 (a) The governing statute of each of the other entities authorizes
29 the merger;

30 (b) The merger is not prohibited by the law of a jurisdiction that
31 enacted any of those governing statutes; and

32 (c) Each of the other entities complies with its governing statute
33 in effecting the merger.

34 (2) A plan of merger must be in a record and must include:

35 (a) The name and form of each constituent entity;

36 (b) The name and form of the surviving entity and, if the surviving
37 entity is to be created by the merger, a statement to that effect;

1 (c) The terms and conditions of the merger, including the manner
2 and basis for converting the interests in each constituent entity into
3 any combination of money, interests in the surviving entity, and other
4 consideration;

5 (d) If the surviving entity is to be created by the merger, the
6 surviving entity's organizational documents;

7 (e) If the surviving entity is not to be created by the merger, any
8 amendments to be made by the merger to the surviving entity's
9 organizational documents; and

10 (f) If a member of a constituent limited cooperative association
11 will have personal liability with respect to a surviving entity, the
12 identity of the member by descriptive class or other reasonable manner.

13 NEW SECTION. **Sec. 1607.** NOTICE AND ACTION ON PLAN OF MERGER BY
14 CONSTITUENT LIMITED COOPERATIVE ASSOCIATION. (1) For a limited
15 cooperative association to merge with another entity, a plan of merger
16 must be approved by a majority vote of the board of directors or a
17 greater percentage if required by the association's organic rules.

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

22 (a) The plan of merger, or a summary of the plan and a statement of
23 the manner in which a copy of the plan in a record may be reasonably
24 obtained by a member;

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

29 (c) A statement of any condition of the board's submission of the
30 plan of merger to the members; and

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

34 NEW SECTION. **Sec. 1608.** APPROVAL OR ABANDONMENT OF MERGER BY
35 MEMBERS. (1) Subject to subsections (2) and (3) of this section, a
36 plan of merger must be approved by:

1 (a) At least two-thirds of the voting power of members present at
2 a members meeting called under section 1607(2) of this act; and

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

6 (2) The organic rules may provide that the percentage of votes
7 under subsection (1)(a) of this section is:

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

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

11 (c) A combination of (a) or (b) of this subsection.

12 (3) The vote required to approve a plan of merger may not be less
13 than the vote required for the members of the limited cooperative
14 association to amend the articles of organization.

15 (4) Consent in a record to a plan of merger by a member must be
16 delivered to the limited cooperative association before delivery of
17 articles of merger for filing pursuant to section 1609 of this act if
18 as a result of the merger the member will have:

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

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

21 (5) Subject to subsection (4) of this section and any contractual
22 rights, after a merger is approved, and at any time before the
23 effective date of the merger, a limited cooperative association that is
24 a party to the merger may approve an amendment to the plan of merger or
25 approve abandonment of the planned merger:

26 (a) As provided in the plan; and

27 (b) Except as prohibited by the plan, with the same affirmative
28 vote of the board of directors and of the members as was required to
29 approve the plan.

30 (6) The voting requirements for districts, classes, or voting
31 groups under section 404 of this act apply to approval of a merger
32 under sections 1601 through 1612 of this act.

33 NEW SECTION. **Sec. 1609.** FILINGS REQUIRED FOR MERGER; EFFECTIVE
34 DATE. (1) After each constituent entity has approved a merger,
35 articles of merger must be signed on behalf of each constituent entity
36 by an authorized representative.

37 (2) The articles of merger must include:

1 (a) The name and form of each constituent entity and the
2 jurisdiction of its governing statute;

3 (b) The name and form of the surviving entity, the jurisdiction of
4 its governing statute, and, if the surviving entity is created by the
5 merger, a statement to that effect;

6 (c) The date the merger is effective under the governing statute of
7 the surviving entity;

8 (d) If the surviving entity is to be created by the merger and:

9 (i) Will be a limited cooperative association, the limited
10 cooperative association's articles of organization; or

11 (ii) Will be an entity other than a limited cooperative
12 association, the organizational document that creates the entity;

13 (e) If the surviving entity is not created by the merger, any
14 amendments provided for in the plan of merger to the organizational
15 document that created the entity;

16 (f) A statement as to each constituent entity that the merger was
17 approved as required by the entity's governing statute;

18 (g) If the surviving entity is a foreign organization not
19 authorized to transact business in this state, the street address and,
20 if different, mailing address of an office that the secretary of state
21 may use for the purposes of section 120 of this act; and

22 (h) Any additional information required by the governing statute of
23 any constituent entity.

24 (3) Each limited cooperative association that is a party to a
25 merger shall deliver the articles of merger to the secretary of state
26 for filing.

27 (4) A merger becomes effective under sections 1601 through 1612 of
28 this act:

29 (a) If the surviving entity is a limited cooperative association,
30 upon the later of:

31 (i) Compliance with subsection (3) of this act; or

32 (ii) Subject to section 203(3) of this act, as specified in the
33 articles of merger; or

34 (b) If the surviving entity is not a limited cooperative
35 association, as provided by the governing statute of the surviving
36 entity.

1 purposes of enforcing an obligation under this subsection. Service on
2 the secretary of state under this subsection is made in the same manner
3 and with the same consequences as in section 120 (3) and (4) of this
4 act.

5 NEW SECTION. **Sec. 1611.** CONSOLIDATION. (1) Constituent entities
6 that are limited cooperative associations or foreign cooperatives may
7 agree to call a merger a consolidation under sections 1601 through 1612
8 of this act.

9 (2) All provisions governing mergers or using the term merger in
10 this chapter apply equally to mergers that the constituent entities
11 choose to call consolidations under subsection (1) of this section.

12 NEW SECTION. **Sec. 1612.** MERGER PROVISIONS NOT EXCLUSIVE.
13 Sections 1601 through 1612 of this act do not prohibit a limited
14 cooperative association from being converted or merged under law other
15 than this chapter.

16 **PART 17**

17 **MISCELLANEOUS PROVISIONS**

18 NEW SECTION. **Sec. 1701.** UNIFORMITY OF APPLICATION AND
19 CONSTRUCTION. In applying and construing this uniform act,
20 consideration must be given to the need to promote uniformity of the
21 law with respect to its subject matter among states that enact it.

22 NEW SECTION. **Sec. 1702.** RELATION TO ELECTRONIC SIGNATURES IN
23 GLOBAL AND NATIONAL COMMERCE ACT. This chapter modifies, limits, or
24 supersedes the federal electronic signatures in global and national
25 commerce act, 15 U.S.C. Sec. 7001 et seq., but does not modify, limit,
26 or supersede section 101(c) of that act, 15 U.S.C. Sec. 7001(c), or
27 authorize electronic delivery of any of the notices described in
28 section 103(b) of that act, 15 U.S.C. Sec. 7003(b).

29 NEW SECTION. **Sec. 1703.** SAVINGS CLAUSE. This chapter does not
30 affect an action or proceeding commenced, or right accrued, before the
31 effective date of this act.

