

SENATE BILL 870

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By: **Senator M. Washington**

Introduced and read first time: February 6, 2023

Assigned to: Judicial Proceedings

A BILL ENTITLED

1 AN ACT concerning

2 **Corporations and Associations – Limited Worker Cooperative Associations –**
3 **Authorization**
4 **(Maryland Limited Worker Cooperative Association Act)**

5 FOR the purpose of authorizing the formation of limited worker cooperative associations;
6 establishing rules and procedures for the formation, governance, conversion, and
7 dissolution of limited worker cooperative associations; and generally relating to
8 limited worker cooperative associations.

9 BY repealing and reenacting, without amendments,
10 Article – Corporations and Associations
11 Section 1–101(a) and 1–203(a)
12 Annotated Code of Maryland
13 (2014 Replacement Volume and 2022 Supplement)

14 BY repealing and reenacting, with amendments,
15 Article – Corporations and Associations
16 Section 1–101(p), 1–203(b)(3), (4), (5), and (8), 1–401, 1–404, and 1–503(a)
17 Annotated Code of Maryland
18 (2014 Replacement Volume and 2022 Supplement)

19 BY adding to
20 Article – Corporations and Associations
21 Section 1–502(g); and 5–6D–01 through 5–6D–13 to be under the new subtitle
22 “Subtitle 6D. Maryland Limited Worker Cooperative Association Act” and the
23 amended title “Title 5. Special Types of Corporations and Associations”
24 Annotated Code of Maryland
25 (2014 Replacement Volume and 2022 Supplement)

26 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
27 That the Laws of Maryland read as follows:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



Article – Corporations and Associations

1–101.

(a) In this article, unless the context clearly requires otherwise, the following words have the meanings indicated.

(p) “Governing document” means:

(1) The charter and the bylaws of a Maryland corporation or a foreign corporation;

(2) The articles of organization or certificate of formation and the operating agreement or limited liability company agreement of a domestic limited liability company or a foreign limited liability company;

(3) The partnership agreement of an other entity that is a partnership or limited partnership, any statement of partnership authority of a partnership, the certificate of limited partnership of a limited partnership, and the certificate of limited liability partnership of a limited liability partnership;

(4) The declaration of trust or governing instrument of a business trust or a real estate investment trust; [or]

(5) **THE ARTICLES OF ORGANIZATION AND THE COOPERATIVE AGREEMENT OF A LIMITED WORKER COOPERATIVE ASSOCIATION; OR**

(6) A similar governing document or instrument of any other type of entity.

1–203.

(a) In addition to any organization and capitalization fee required under § 1–204 of this subtitle, subject to subsection (c) of this section, the Department shall collect the fees specified in subsection (b) of this section.

(b) (3) (i) For each of the following documents which are filed but not recorded, the nonrefundable processing fee is as indicated:

Reservation of a corporate, limited partnership, limited liability partnership [or], limited liability company, **OR LIMITED WORKER COOPERATIVE ASSOCIATION** name.....\$25

Original registration of name of a foreign corporation to end of calendar year.....\$100

1 Renewal of registration of name of a foreign corporation for 1 calendar
2 year.....\$100

3 Documents in connection with the qualification of a foreign corporation to do
4 intrastate business in this State.....\$100

5 Application for registration of a foreign limited partnership, a foreign limited
6 liability partnership, or a foreign limited liability company.....\$100

7 Other documents.....\$6

8 (ii) Except as provided in paragraph (13) of this subsection, for each
9 of the following documents which are filed but not recorded, the filing fee is as indicated:

10 Annual report of a Maryland corporation, except a charitable or benevolent
11 institution, nonstock corporation, savings and loan corporation, credit union, family farm,
12 and banking institution.....\$300

13 Annual report of a foreign corporation subject to the jurisdiction of this State, except
14 a national banking association, savings and loan association, credit union, nonstock
15 corporation, and charitable and benevolent institution.....\$300

16 Annual report of a Maryland savings and loan association, banking institution, or
17 credit union or of a foreign savings and loan association, national banking association, or
18 credit union that is subject to the jurisdiction of this State.....\$300

19 Annual report of a Maryland limited liability company, limited liability partnership,
20 limited partnership, **LIMITED WORKER COOPERATIVE ASSOCIATION**, or of a foreign
21 limited liability company, foreign limited liability partnership, or foreign limited
22 partnership, except a family farm.....\$300

23 Annual report of a business trust.....\$300

24 Annual report of a real estate investment trust or foreign statutory trust doing
25 business in this State.....\$300

26 Annual report of a family farm.....\$100

27 (4) For each of the following documents recorded or filed the nonrefundable
28 processing fee is \$100:

29 (i) Certificate of limited partnership, certificate of limited liability
30 partnership, articles of organization of a limited liability company, **ARTICLES OF**
31 **ORGANIZATION OF A LIMITED WORKER COOPERATIVE ASSOCIATION**, certificate of
32 trust of a business trust, including certificates of amendment, certificates of reinstatement,
33 and articles of reinstatement; and

(ii) Any statement filed by a partnership under Title 9A of this article.

(5) For issuing each of the following certificates, the nonrefundable processing fee is as indicated:

Type of Instrument	Special Fee
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Certificate of status of a corporation, partnership, limited partnership, limited liability partnership, [or] limited liability company, OR LIMITED WORKER COOPERATIVE ASSOCIATION of this State or of a foreign corporation, foreign partnership, foreign limited partnership, foreign limited liability partnership, or foreign limited liability company.....	\$20
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Certified list of the charter papers of a corporation of this State or any certificates of a limited partnership, limited liability partnership, [or a] limited liability company, OR LIMITED WORKER COOPERATIVE ASSOCIATION of this State recorded or filed with the Department.....	\$20
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Certificate of compliance by a foreign corporation, foreign limited partnership, foreign limited liability partnership, or foreign limited liability company with requirements of law in respect of qualification or registration.....	\$20
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Certificate of withdrawal of registration or qualification.....	\$20
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Certificate of any paper recorded or filed in the Department's office.....	\$20
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(8) Subject to § 1–203.2(c) of this subtitle, for processing each of the following documents on an expedited basis, the additional fee is as indicated:

Recording any document, including financing statements, or submitting for preclearance any document listed in paragraph (1) or (4) of this subsection, if processing under § 1–203.2(b)(1) of this subtitle is requested.....	\$425
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Recording any document, including financing statements, or submitting for preclearance any document listed in paragraph (1) or (4) of this subsection, if processing under § 1–203.2(b)(1) of this subtitle is not requested.....	\$50
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Certificate of status of a corporation, partnership, limited partnership, limited liability partnership, [or] limited liability company, OR LIMITED WORKER COOPERATIVE ASSOCIATION , or a name reservation.....	\$20
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Certified list of the charter documents of a Maryland corporation or any certificate of a Maryland limited partnership, limited liability partnership, [or] limited liability	
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1 company, **OR LIMITED WORKER COOPERATIVE ASSOCIATION** recorded or filed with the
2 Department.....\$20

3 A copy of any document recorded or filed with the Department, or a corporate
4 abstract.....\$20

5 Application for a ground rent redemption or a ground rent extinguishment, or
6 payment of a redemption or extinguishment amount to the former owner of the ground
7 rent.....\$50

8 1-401.

9 (a) Service of process on the resident agent of a corporation, partnership, limited
10 partnership, limited liability partnership, limited liability company, **LIMITED WORKER**
11 **COOPERATIVE ASSOCIATION**, or real estate investment trust, or any other person
12 constitutes effective service of process under the Maryland Rules on the corporation,
13 partnership, limited partnership, limited liability partnership, limited liability company,
14 **LIMITED WORKER COOPERATIVE ASSOCIATION**, or real estate investment trust, or other
15 person in any action, suit, or proceeding which is pending, filed, or instituted against it
16 under the provisions of this article.

17 (b) (1) Any notice required by law to be served by personal service on a
18 resident agent or other agent or officer of any Maryland or foreign corporation, partnership,
19 limited partnership, limited liability partnership, limited liability company, **LIMITED**
20 **WORKER COOPERATIVE ASSOCIATION**, or real estate investment trust required by
21 statute to have a resident agent in this State may be served on the corporation, partnership,
22 limited partnership, limited liability partnership, limited liability company, **LIMITED**
23 **WORKER COOPERATIVE ASSOCIATION**, or real estate investment trust in the manner
24 provided by the Maryland Rules relating to the service of process on corporations.

25 (2) Service under the Maryland Rules is equivalent to personal service on
26 a resident agent or other agent or officer of a corporation, partnership, limited partnership,
27 limited liability partnership, limited liability company, **LIMITED WORKER COOPERATIVE**
28 **ASSOCIATION**, or real estate investment trust mentioned in paragraph (1) of this
29 subsection.

30 1-404.

31 (a) Any person who owns, operates, or directs an unincorporated organization,
32 firm, association, or other entity which includes in its name the word "corporation",
33 "incorporated", or, except as provided in subsection (b) of this section, "limited" or an
34 abbreviation of any of these words or which holds itself out to the public as a corporation is
35 guilty of a misdemeanor and on conviction is subject to a fine not exceeding \$500.

36 (b) This section does not prohibit:

(1) A limited partnership from using the term “limited partnership” in its name;

(2) A limited liability company from using the terms “limited liability company” or “L.L.C.” in its name; [or]

(3) A limited liability partnership from using the terms “limited liability partnership” or “L.L.P.” in its name; **OR**

(4) A LIMITED WORKER COOPERATIVE ASSOCIATION FROM USING THE TERMS “LIMITED WORKER COOPERATIVE ASSOCIATION” OR “L.W.C.A.” IN ITS NAME.

1–502.

(G) THE NAME OF A LIMITED WORKER COOPERATIVE ASSOCIATION MUST INCLUDE:

(1) THE WORDS “LIMITED WORKER COOPERATIVE ASSOCIATION”;

(2) L.W.C.A.; OR

(3) LWCA.

1–503.

(a) An entity name may not contain language stating or implying that the entity is organized for a purpose other than that allowed by the entity’s:

(1) Articles of incorporation, if the entity is a corporation;

(2) Articles of organization, if the entity is a limited liability company;

(3) Certificate of limited liability partnership, if the entity is a limited liability partnership;

(4) Certificate of limited partnership, if the entity is a limited partnership; [or]

(5) Articles of incorporation, if the entity is a professional corporation; **OR**

(6) ARTICLES OF ORGANIZATION, IF THE ENTITY IS A LIMITED WORKER COOPERATIVE ASSOCIATION.

Title 5. Special Types of Corporations **AND ASSOCIATIONS.**

SUBTITLE 6D. MARYLAND LIMITED WORKER COOPERATIVE ASSOCIATION ACT.

5-6D-01.

(A) IN THIS SUBTITLE THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(B) “COLLECTIVE WORKER COOPERATIVE” MEANS A LIMITED WORKER COOPERATIVE ASSOCIATION THAT HAS ONLY ONE CLASS OF MEMBERS CONSISTING OF WORKER-MEMBERS WHO MANAGE ALL OF THE AFFAIRS OF THE COOPERATIVE.

(C) “DISTRIBUTION” MEANS A TRANSFER OF MONEY OR OTHER PROPERTY FROM A LIMITED WORKER COOPERATIVE TO A:

(1) MEMBER BECAUSE OF THE MEMBER’S FINANCIAL RIGHTS; OR

(2) TRANSFEREE OF A MEMBER’S FINANCIAL RIGHTS.

(D) “INVESTOR MEMBER” MEANS A MEMBER OF A LIMITED WORKER COOPERATIVE ASSOCIATION WHO:

(1) HOLDS A FINANCIAL INTEREST IN THE COOPERATIVE; AND

(2) IS NOT REQUIRED OR IS NOT ALLOWED UNDER THE ARTICLES OF ORGANIZATION OR THE COOPERATIVE AGREEMENT TO CONDUCT PATRONAGE WITH THE COOPERATIVE IN THE MEMBER’S CAPACITY AS AN INVESTOR MEMBER IN ORDER TO RECEIVE OR RETAIN THE MEMBER’S INTEREST.

(E) “LIMITED WORKER COOPERATIVE ASSOCIATION” OR “COOPERATIVE” MEANS AN UNINCORPORATED BUSINESS ORGANIZATION ORGANIZED UNDER THIS SUBTITLE.

(F) “MEMBER” MEANS ANY PERSON WHO, UNDER THE ARTICLES OF ORGANIZATION OR THE COOPERATIVE AGREEMENT OF A LIMITED WORKER COOPERATIVE ASSOCIATION:

(1) HAS THE RIGHT TO VOTE FOR THE ELECTION OF A MEMBER OF THE BOARD OF MANAGERS; OR

(2) POSSESSES ANY PROPRIETARY INTEREST IN THE COOPERATIVE.

(G) "ORGANIZER" MEANS A PERSON WHO CAUSES ARTICLES OF ORGANIZATION FORMING A LIMITED WORKER COOPERATIVE ASSOCIATION TO BE EXECUTED AND FILED FOR RECORD WITH THE DEPARTMENT.

(H) "PATRON MEMBER" MEANS A MEMBER OF A LIMITED WORKER COOPERATIVE WHO IS REQUIRED OR ALLOWED BY THE ARTICLES OF ORGANIZATION OR THE COOPERATIVE AGREEMENT OF THE LIMITED WORKER COOPERATIVE ASSOCIATION TO CONDUCT PATRONAGE WITH THE COOPERATIVE IN THE MEMBER'S CAPACITY AS A PATRON MEMBER.

(I) "PATRONAGE" MEANS BUSINESS TRANSACTIONS BETWEEN A LIMITED WORKER COOPERATIVE ASSOCIATION AND A PERSON THAT ENTITLES THE PERSON TO RECEIVE FINANCIAL RIGHTS BASED ON THE VALUE OR QUANTITY OF BUSINESS DONE BETWEEN THE COOPERATIVE AND THE PERSON.

(J) "WORKER" MEANS A NATURAL PERSON WHO CONTRIBUTES LABOR OR SERVICES TO A LIMITED WORKER COOPERATIVE ASSOCIATION.

(K) "WORKER COOPERATIVE" MEANS A LIMITED WORKER COOPERATIVE ASSOCIATION FORMED UNDER THIS SUBTITLE IN WHICH ALL PATRON MEMBERS ARE WORKER-MEMBERS.

(L) "WORKER-MEMBER" MEANS A PATRON MEMBER OF A LIMITED WORKER COOPERATIVE ASSOCIATION:

(1) WHO IS A NATURAL PERSON; AND

(2) WHOSE PATRONAGE CONSISTS OF LABOR CONTRIBUTED TO OR OTHER WORK PERFORMED FOR THE COOPERATIVE.

5-6D-02.

(A) A LIMITED WORKER COOPERATIVE ASSOCIATION:

(1) MAY BE ORGANIZED FOR ANY LAWFUL PURPOSE, WHETHER OR NOT FOR PROFIT; AND

(2) IS AN ENTITY DISTINCT FROM ITS MEMBERS.

(B) THE ORGANIZATION OF A LIMITED WORKER COOPERATIVE ASSOCIATION UNDER THIS SUBTITLE DOES NOT CREATE A PRESUMPTION THAT WORKERS ARE EMPLOYEES OF THE COOPERATIVE FOR ANY PURPOSES.

5-6D-03.

(A) (1) ONE OR MORE ORGANIZERS MAY FORM A LIMITED WORKER COOPERATIVE ASSOCIATION BY CAUSING ARTICLES OF ORGANIZATION TO BE EXECUTED AND FILED FOR RECORD WITH THE DEPARTMENT IN ACCORDANCE WITH TITLE 4A, SUBTITLE 2 OF THIS ARTICLE.

(2) AN ORGANIZER IS NOT REQUIRED TO BE A MEMBER OF THE COOPERATIVE.

(B) THE ARTICLES OF ORGANIZATION SHALL:

(1) INCLUDE A STATEMENT THAT THE ASSOCIATION IS A WORKER COOPERATIVE OR A COLLECTIVE WORKER COOPERATIVE, IF APPLICABLE; AND

(2) BE SIGNED BY THE ORGANIZER OR ORGANIZERS.

(C) THE NAME OF A LIMITED WORKER COOPERATIVE ASSOCIATION AS SET FORTH IN ITS ARTICLES OF ORGANIZATION SHALL COMPLY WITH THE REQUIREMENTS OF TITLE 1, SUBTITLE 5 OF THIS ARTICLE.

5-6D-04.

(A) AFTER A LIMITED WORKER COOPERATIVE ASSOCIATION IS FORMED, THE INITIAL MANAGERS OR MANAGING MEMBERS SHALL HOLD AN ORGANIZATIONAL MEETING TO ADOPT AN INITIAL COOPERATIVE AGREEMENT AND CARRY OUT ANY OTHER BUSINESS NECESSARY TO COMPLETE THE ORGANIZATION OF THE COOPERATIVE.

(B) (1) IF THE ARTICLES OF ORGANIZATION DO NOT NAME THE INITIAL MANAGERS OR MANAGING MEMBERS, THE ORGANIZERS SHALL DESIGNATE THE INITIAL MANAGERS OR MANAGING MEMBERS.

(2) AN INITIAL MANAGER IS NOT REQUIRED TO BE A MEMBER.

(C) UNLESS THE ARTICLES OF ORGANIZATION PROVIDE OTHERWISE, THE INITIAL MANAGERS OR MANAGING MEMBERS MAY CAUSE THE LIMITED WORKER COOPERATIVE ASSOCIATION TO ACCEPT MEMBERS, INCLUDING THE MEMBERS NECESSARY FOR THE COOPERATIVE TO BEGIN BUSINESS.

(D) AN INITIAL MANAGER OR MANAGING MEMBER SERVES UNTIL:

(1) A SUCCESSOR IS ELECTED AND QUALIFIED AT A MEMBERS' MEETING; OR

(2) THE MANAGER OR MANAGING MEMBER IS REMOVED, RESIGNS, IS ADJUDGED INCOMPETENT, OR DIES.

5-6D-05.

(A) A COOPERATIVE AGREEMENT SHALL INCLUDE:

(1) A STATEMENT OF THE CAPITAL STRUCTURE OF THE COOPERATIVE;

(2) THE CLASSES OR OTHER TYPES OF MEMBERS' INTERESTS IN THE COOPERATIVE;

(3) THE RELATIVE RIGHTS, PREFERENCES, PRIVILEGES, AND RESTRICTIONS GRANTED TO OR IMPOSED ON EACH CLASS OR OTHER TYPE OF MEMBERS' INTEREST, INCLUDING:

(I) A STATEMENT OF THE MANNER IN WHICH PROFITS AND LOSSES ARE ALLOCATED AND DISTRIBUTIONS ARE MADE:

1. AMONG MEMBERS; AND

2. IF COMMUNITY INVESTORS ARE AUTHORIZED, AMONG INVESTOR MEMBERS AND BETWEEN MEMBERS AND COMMUNITY INVESTORS; AND

(II) A STATEMENT DESIGNATING THE VOTING AND OTHER GOVERNANCE RIGHTS OF EACH CLASS OR TYPE OF MEMBERS' INTERESTS AND, IF RELEVANT, COMMUNITY INVESTORS, INCLUDING WHICH MEMBERS HAVE VOTING POWER AND ANY RESTRICTION ON VOTING POWER;

(4) A STATEMENT OF THE METHOD FOR ADMITTING MEMBERS;

(5) (I) A STATEMENT OF THE CONDITIONS UPON WHICH A MEMBER'S INTEREST IS TRANSFERRABLE; OR

(II) A STATEMENT THAT A MEMBER'S INTEREST IS NOT TRANSFERRABLE;

(6) (I) A STATEMENT OF THE MANNER IN WHICH PERSONS WHO ARE NOT MEMBERS BUT CONDUCT BUSINESS WITH THE COOPERATIVE MAY BE

1 ALLOWED TO SHARE IN THE ALLOCATION OF PROFITS AND LOSSES AND RECEIVE
2 DISTRIBUTIONS; OR

3 (II) A STATEMENT THAT PERSONS WHO ARE NOT MEMBERS OF
4 THE COOPERATIVE MAY NOT BE ALLOWED TO SHARE IN THE ALLOCATION OF
5 PROFITS AND LOSSES AND RECEIVE DISTRIBUTIONS;

6 (7) (I) A STATEMENT OF THE NUMBER AND TERMS OF DIRECTORS
7 OR MANAGERS; OR

8 (II) A STATEMENT DETAILING THE METHOD BY WHICH THE
9 NUMBER AND TERMS OF DIRECTORS OR MANAGERS WILL BE DETERMINED; AND

10 (8) A STATEMENT ADDRESSING THE CONTRIBUTIONS OF MEMBERS.

11 (B) A COOPERATIVE AGREEMENT MAY INCLUDE ANY OTHER PROVISION
12 NECESSARY OR APPROPRIATE TO MANAGE AND REGULATE THE AFFAIRS OF THE
13 COOPERATIVE.

14 (C) A LIMITED WORKER COOPERATIVE ASSOCIATION IS BOUND BY AND MAY
15 ENFORCE THE COOPERATIVE AGREEMENT, WHETHER OR NOT THE COOPERATIVE
16 HAS ITSELF MANIFESTED ASSENT TO THE COOPERATIVE AGREEMENT.

17 (D) A PERSON THAT BECOMES A MEMBER OF A LIMITED WORKER
18 COOPERATIVE ASSOCIATION IS DEEMED TO ASSENT TO THE COOPERATIVE
19 AGREEMENT.

20 (E) A COOPERATIVE AGREEMENT MAY BE ENTERED INTO BEFORE, AFTER,
21 OR AT THE TIME OF FILING OF ARTICLES OF ORGANIZATION AND MAY BE MADE
22 EFFECTIVE AS OF:

23 (1) THE TIME OF FORMATION OF THE LIMITED WORKER
24 COOPERATIVE ASSOCIATION; OR

25 (2) THE TIME OR DATE PROVIDED IN THE COOPERATIVE AGREEMENT.

26 5-6D-06.

27 (A) A LIMITED WORKERS COOPERATIVE ASSOCIATION MAY INCLUDE
28 MULTIPLE CLASSES OF PATRON MEMBERS WHOSE RIGHTS AND PROPRIETARY
29 INTERESTS SHALL BE DETERMINED BY THE COOPERATIVE AGREEMENT.

1 **(B) TO BEGIN BUSINESS, A COOPERATIVE MUST HAVE AT LEAST THREE**
2 **MEMBERS, UNLESS THE SOLE MEMBER IS A COOPERATIVE.**

3 **(C) A PERSON BECOMES A MEMBER OF A COOPERATIVE:**

4 **(1) AS PROVIDED IN THE COOPERATIVE AGREEMENT;**

5 **(2) AS THE RESULT OF A MERGER OR CONVERSION UNDER § 5-6D-11**
6 **OF THIS SUBTITLE; OR**

7 **(3) WITH THE CONSENT OF ALL CURRENT MEMBERS.**

8 **(D) A MEMBER, SOLELY BY REASON OF BEING A MEMBER, MAY NOT ACT FOR**
9 **OR BIND THE COOPERATIVE.**

10 **(E) UNLESS THE COOPERATIVE AGREEMENT STATES OTHERWISE, A DEBT,**
11 **AN OBLIGATION, OR ANY OTHER LIABILITY OF A COOPERATIVE IS SOLELY THAT OF**
12 **THE COOPERATIVE.**

13 **(F) THE TOTAL VOTING MEMBERSHIP BODY SHALL CONSTITUTE THE**
14 **ASSEMBLY OF THE COOPERATIVE.**

15 **(G) (1) THE ASSEMBLY SHALL MEET ANNUALLY AT A TIME PROVIDED IN**
16 **THE COOPERATIVE AGREEMENT OR SET BY THE BOARD OF MANAGERS OR**
17 **MANAGING MEMBERS NOT INCONSISTENT WITH THE COOPERATIVE AGREEMENT.**

18 **(2) THE FAILURE TO HOLD AN ANNUAL ASSEMBLY MEETING DOES**
19 **NOT AFFECT THE VALIDITY OF ANY ACTION OF THE COOPERATIVE.**

20 **(H) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, THE**
21 **COOPERATIVE SHALL NOTIFY EACH MEMBER OF THE TIME, DATE, AND PLACE OF AN**
22 **ANNUAL ASSEMBLY MEETING AT LEAST 10, BUT NOT MORE THAN 60 DAYS BEFORE**
23 **THE MEETING.**

24 **(2) IF THE MEETING IS ONLY OF MEMBERS OF ONE OR MORE CLASSES,**
25 **THE NOTICE SHALL BE GIVEN TO MEMBERS OF THOSE CLASSES.**

26 **5-6D-07.**

27 **(A) THE COOPERATIVE AGREEMENT MAY ALLOCATE VOTING POWER AMONG**
28 **PATRON MEMBERS ON THE BASIS OF ONE OR MORE OF THE FOLLOWING:**

29 **(1) ONE MEMBER, ONE VOTE;**

1 **(2) IF A MEMBER IS A COOPERATIVE, THE NUMBER OF MEMBERS OF**
2 **THE COOPERATIVE; OR**

3 **(3) UNLESS THE COOPERATIVE IS A WORKER COOPERATIVE, ON THE**
4 **BASIS OF USE OR PATRONAGE.**

5 **(B) IF THE COOPERATIVE AGREEMENT ALLOCATES VOTING POWER TO**
6 **PATRON MEMBERS ON THE BASIS OF USE OR PATRONAGE, AND A PATRON MEMBER**
7 **WOULD BE DENIED A VOTE BECAUSE THE PATRON MEMBER DID NOT CONDUCT**
8 **PATRONAGE WITH THE COOPERATIVE DURING THE PERIOD ON WHICH THE**
9 **ALLOCATION OF VOTING POWER WAS DETERMINED, THE COOPERATIVE AGREEMENT**
10 **SHALL PROVIDE THAT THE PATRON MEMBER SHALL BE ALLOCATED A VOTE EQUAL**
11 **TO AT LEAST THE MINIMUM VOTING POWER ALLOCATED TO PATRON MEMBERS WHO**
12 **CONDUCTED PATRONAGE WITH THE COOPERATIVE DURING THE PERIOD.**

13 **(C) THE COOPERATIVE AGREEMENT MAY PROVIDE FOR THE ALLOCATION**
14 **OF MEMBER VOTING POWER BY CLASSES.**

15 **(D) THE COOPERATIVE AGREEMENT MAY LIMIT OR ELIMINATE THE VOTING**
16 **POWER OF MEMBERS WHO ARE NOT PATRON MEMBERS.**

17 **(E) AT NO TIME MAY WORKER-MEMBERS HAVE LESS THAN A MAJORITY OF**
18 **THE TOTAL VOTING POWER OF A COOPERATIVE.**

19 **5-6D-08.**

20 **(A) THIS SECTION DOES NOT APPLY TO A COLLECTIVE WORKER**
21 **COOPERATIVE.**

22 **(B) A LIMITED WORKER COOPERATIVE ASSOCIATION SHALL HAVE A BOARD**
23 **OF MANAGERS CONSISTING OF AT LEAST THREE MEMBERS.**

24 **(C) (1) UNLESS THE BOARD OF MANAGERS DELEGATES AUTHORITY TO**
25 **THE ASSEMBLY, THE BOARD SHALL MANAGE THE AFFAIRS OF THE COOPERATIVE.**

26 **(2) THE BOARD MAY ADOPT POLICIES AND PROCEDURES THAT DO**
27 **NOT CONFLICT WITH THE COOPERATIVE AGREEMENT OR THE PROVISIONS OF THIS**
28 **SUBTITLE.**

29 **(D) AN INDIVIDUAL IS NOT AN AGENT OF A COOPERATIVE SOLELY BY**
30 **VIRTUE OF BEING A MEMBER OF THE BOARD OF MANAGERS.**

(E) A MEMBER OF THE BOARD OF MANAGERS IS NOT PERSONALLY LIABLE, DIRECTLY OR INDIRECTLY, FOR A DEBT, AN OBLIGATION, OR ANY OTHER LIABILITY OF THE COOPERATIVE SOLELY BY VIRTUE OF BEING A MEMBER OF THE BOARD OF MANAGERS.

5-6D-09.

(A) SUBJECT TO SUBSECTION (B) OF THIS SECTION, THE NET EARNINGS AND LOSSES OF A LIMITED WORKER COOPERATIVE ASSOCIATION SHALL BE APPORTIONED AND DISTRIBUTED IN ACCORDANCE WITH THE TERMS OF THE COOPERATIVE AGREEMENT.

(B) NET EARNINGS DECLARED AS PATRONAGE ALLOCATIONS WITH RESPECT TO A PERIOD OF TIME, AND PAID OR CREDITED TO PATRON MEMBERS, SHALL BE APPORTIONED AMONG THE PATRON MEMBERS IN ACCORDANCE WITH THE RATIO WHICH EACH PATRON MEMBER'S PATRONAGE DURING THE APPLICABLE TIME PERIOD BEARS TO THE TOTAL PATRONAGE BY ALL PATRON MEMBERS DURING THAT PERIOD.

5-6D-10.

A LIMITED WORKER COOPERATIVE ASSOCIATION MAY BE DISSOLVED BY:

(1) A TWO-THIRDS VOTE OF THE ASSEMBLY;

(2) IF AUTHORIZED IN THE COOPERATIVE AGREEMENT, A MAJORITY VOTE OF THE ASSEMBLY; OR

(3) AS PROVIDED FOR IN §§ 4A-902 AND 4A-903 OF THIS ARTICLE.

5-6D-11.

(A) EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION, A LIMITED WORKER COOPERATIVE ASSOCIATION MAY CONVERT TO A LIMITED LIABILITY COMPANY OR ANY OTHER ENTITY SPECIFIED IN § 4A-1101 OF THIS ARTICLE IF:

(1) THE BOARD OF MANAGERS ADOPTS A PLAN OF CONVERSION; AND

(2) THE ASSEMBLY ADOPTS THE PLAN OF CONVERSION BY A TWO-THIRDS VOTE.

1 **(B) A COLLECTIVE WORKER COOPERATIVE MAY CONVERT TO A LIMITED**
2 **LIABILITY COMPANY OR ANY OTHER ENTITY SPECIFIED IN § 4A-1101 OF THIS**
3 **ARTICLE IF THE MEMBERS ADOPT A PLAN BY A TWO-THIRDS VOTE.**

4 **5-6D-12.**

5 **THE MARYLAND LIMITED LIABILITY COMPANY ACT IS APPLICABLE TO**
6 **LIMITED WORKER COOPERATIVE ASSOCIATIONS, EXCEPT TO THE EXTENT THAT THE**
7 **MARYLAND LIMITED LIABILITY COMPANY ACT EXPRESSLY EXEMPTS**
8 **COOPERATIVES OR IS CONTRARY TO OR INCONSISTENT WITH THIS SUBTITLE.**

9 **5-6D-13.**

10 **THIS SUBTITLE MAY BE CITED AS THE MARYLAND LIMITED WORKER**
11 **COOPERATIVE ASSOCIATION ACT.**

12 **SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect**
13 **October 1, 2023.**