
General Cooperative Association Act

Code of District of Columbia
Title 29, Chapter 9. General Cooperative Association Act

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Code of
District of Columbia
Title 29. Business Organizations
Chapter 9
General Cooperative Association Act

§ 29–901. Short title.

This chapter may be cited as the “General Cooperative Association Act of 2010”.

§ 29–902. Definitions.

For the purposes of this chapter, the term:

- (1) “Articles” means the articles of incorporation referred to in [§ 29-906](#).
- (2) “Association” means a group enterprise incorporated under this chapter. An association shall be treated as a nonprofit corporation for purposes of taxation or securities regulation under the law of the District.
- (3) “Cooperative basis” as applied to any incorporated or unincorporated group referred to in §§ [29-905\(7\)](#), [29-913](#), [29-923](#), [29-935](#), and [29-936](#) means that:
 - (A) Each member has one vote only, except as may be altered in the articles or bylaws by provision for:
 - (i) Voting by member organizations; or
 - (ii) Allocation of votes in a cooperative housing association proportionate to the share of ownership in the association or on the basis of one vote for each unit;
 - (B) The maximum rate at which any return is paid on share or membership capital is limited to not more than 8% per annum; and
 - (C) The net savings after payment, if any, of this limited return on capital and after making provision for such separate funds as may be required or specifically permitted by statute, articles, or bylaws, or allocated or distributed to member patrons, or to all patrons, in proportion to their patronage, be retained by the enterprise, for the actual or potential expansion of its services or the reduction of its charges to the patrons or for other purposes not inconsistent with its nonprofit character.
- (4) “Member” means a member in a nonshare association or share association.
- (5) “Net savings” means the total income of an association minus the costs of operation.
- (6) “Savings returns” means the amount returned to the patrons in proportion to their patronage or otherwise in accordance with [§ 29-931](#).

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§ 29–903. Incorporators.

Any 5 or more natural persons or 2 or more associations may incorporate in the District under this chapter.

§ 29–904. Purposes for incorporation.

An association may be incorporated under this chapter to engage in any one or more lawful mode or modes of acquiring, producing, building, operating, manufacturing, furnishing, exchanging, or distributing any type or types of property, commodities, goods, or services for the primary and mutual benefit of the patrons of the association, or their patrons, if any, as ultimate consumers.

§ 29–905. Powers of association.

An association shall have the capacity to act possessed by individuals and the authority to do anything required or permitted by this chapter. In addition, an association has the power to:

- (1) Continue as a corporation for the time specified in its articles;
- (2) Have a corporate seal and to alter the same at pleasure;
- (3) Sue and be sued in its corporate name;
- (4) Make bylaws for the government and regulation of its affairs;
- (5) Acquire, own, hold, sell, lease, pledge, mortgage, or otherwise dispose of any property incident to its purposes and activities and affairs;
- (6)(A) Own and hold:
 - (i) Membership in, and share capital, of other associations and any other corporations;
 - (ii) Any types of bonds or other obligations; and
- (B) While the owner of the items set forth in subparagraph (A) of this paragraph, to exercise all the rights of ownership;
- (7) Borrow money, contract debts, and make contracts, including agreements of mutual aid or federation with other associations, other groups organized on a cooperative basis, and other nonprofit groups;
- (8) Conduct its affairs within or without the District;
- (9) Exercise, in addition, any power granted to ordinary business corporations, except those powers inconsistent with this chapter; and
- (10) Exercise all powers not inconsistent with this chapter which may be necessary, convenient, or expedient for the accomplishment of its purposes.

§ 29-906. Articles of incorporation — Contents.

(a) Articles of incorporation shall be signed by each of the incorporators and acknowledged by at least 3 of them if individuals, and by the presidents and secretaries, if associations, before an officer authorized to take acknowledgments.

(b) Within the limitations of this chapter, the articles shall contain:

- (1) A statement as to the purpose or purposes for which the association is formed;
 - (2) The name of the association;
 - (3) The term of existence of the association, which may be perpetual;
 - (4) The location and address of the principal office of the association;
 - (5) The information required by [§ 29-104.04](#);
 - (6) The names and addresses of the incorporators of the association;
 - (7) The names and addresses of the directors who will manage the affairs of the association for the first year, unless sooner changed by the members;
 - (8) A statement of whether the association is organized with or without shares, and the number of shares or memberships subscribed for;
 - (9) If organized with shares, a statement of the amount of authorized capital, the number and types of shares and the par value thereof (which may be placed at any figure), and the rights, preferences, and restrictions of each type of share;
 - (10)(A) The minimum number or value of shares which must be owned to qualify for membership; and
(B) If organized without shares, a statement of whether the property rights of members must be equal or unequal, and if unequal, the rule by which their rights shall be determined;
 - (11) The maximum amount or percentage of capital which may be owned or controlled by any member, including a statement of whether or not each member is limited to a single share, and whether such single shares are of various par values; and
 - (12) The method by which any surplus, upon dissolution of the association, is distributed, in conformity with the requirements of [§ 29-934](#) for division of the surplus.
- (c) The articles may also contain any other provisions, not inconsistent with law or with this chapter, for the conduct of the association's affairs.

§ 29-907. Articles of incorporation — Amendments; vote required for proposal and approval of amendments.

(a) Amendments to the articles may be proposed by a 2/3 vote of the board of directors or by petition of 10% of the association's members. The secretary shall send notice of the meeting to consider an amendment at least 30 days in advance to each member at the member's last

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known address, accompanied by the full text of the proposal and by that part of the articles to be amended. Two-thirds of the members voting may adopt the amendment and when verified by the president and secretary, it shall be filed and recorded with the Mayor within 30 days of its adoption, and a fee established by the Mayor by rule shall be paid.

(b) If the amendment is to alter the preferences of outstanding shares of any type, or to authorize the issuance of shares having preferences superior to outstanding shares of any type, the vote of 2/3 of the members owning such outstanding shares affected by the change shall also be required for the adoption of the amendment. If the amendment is to alter the rule by which members' property rights in a nonshare association are determined, a vote of 2/3 of the entire membership shall be required.

(c) The amount of capital and the number and par value of shares may be diminished or increased by amendment of the articles, but the capital shall not be diminished below the amount of paid-up capital existing at the time of amendment.

§ 29-908. Bylaws; adoption, amendment, or repeal.

Bylaws shall be adopted, amended, or repealed by at least a majority vote of the members voting.

§ 29-909. Bylaws — Contents.

The bylaws may, within the limitations of this chapter, provide for the:

- (1) Method and terms of admission to membership and the disposal of members' interests on cessation of membership for any reason;
- (2) Time, place, and manner of calling and conducting meetings;
- (3) Number or percentage of the members constituting a quorum;
- (4)(A) Number, qualifications, powers, duties, term of office, and manner, time, and vote for election, of directors and officers; and
- (B) Division or classification, if any, of directors to provide for rotating or overlapping terms;
- (5) Compensation, if any, of the directors, and the number of directors necessary to constitute a quorum;
- (6) Method of distributing the net savings; or
- (7) Various discretionary provisions of this chapter as well as other provisions incident to the purposes and activities and affairs of the association.

§ 29-910. Meetings; regular and special.

Regular meetings of members shall be held as prescribed in the bylaws, but shall be held at least once a year. Special meetings may be demanded by a majority vote of the directors or by written petition of at least 10% of the membership, in which case it shall be the duty of the secretary to call such meeting to take place within 30 days after the demand. Regular or special

meetings, including meetings by units as hereinafter provided, may be held inside or outside the District as the articles may prescribe. Regardless of whether remote regular and special meetings of members are authorized by the articles or bylaws, members may participate in regular and special meetings of members remotely in accordance with [§ 29-305.09](#).

§ 29-911. Meetings; regular and special — Notice.

The secretary shall give notice of the time and place of meetings by sending a notice thereof to each member at the member's last known address not less than the number of days in advance of the meeting specified in the bylaws. In case of a special meeting, the notice shall specify the purpose for which the meeting is called. If authorized by the articles or bylaws, the notice may be sent by electronic mail in accordance with [§ 29-305.09](#).

§ 29-912. Meetings; regular and special — Units of membership.

The articles or bylaws may provide for the holding of meetings by units of the membership and may provide for a method of transmitting the votes there cast to the central meeting, or for a method of representation by the election of delegates to the central meeting, or for a combination of both of these methods. If authorized by the articles or the bylaws, members may participate in such meetings remotely in accordance with [§ 29-305.09](#).

§ 29-913. Voting — Number permitted by each member.

(a) Each member of an association shall have only one vote, except as may be altered in the articles or bylaws for:

- (1) Voting by member organizations; or
- (2) Allocation of votes in a cooperative housing association proportionate to the share of ownership in the association or on the basis of one vote for each unit.

(b) A voting agreement or other device to evade the requirements of this section shall not be enforceable.

§ 29-914. Voting — Proxy prohibited.

A member shall not vote by proxy.

§ 29-915. Voting — By mail or by electronic mail.

(a) The articles or bylaws may provide for either or both of the following types of voting by mail or by electronic mail in accordance with [§ 29-305.09](#)[:]

(1) That the secretary shall send to the members a copy of any proposal scheduled to be offered at a meeting, together with the notice of the meeting, and that the mail votes or the electronic mail votes by the members shall be counted together with those cast at the meeting if the mail votes or the electronic mail votes are returned to the association within a specified number of days; and

(2) That the secretary shall send to any member absent from a meeting an exact copy of the proposal acted upon at the meeting, and that the mail vote or the electronic mail vote of the

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member upon such proposal, if returned within a specified number of days, shall be counted together with the votes cast at the meeting.

(b) The articles or bylaws may also determine whether and to what extent the mail votes or the electronic mail votes shall be counted in computing a quorum.

§ 29-916. Voting provisions — Application to voting by mail or electronic mail.

If the articles or bylaws have provided for voting by mail or by electronic mail, any provision of this chapter referring to votes cast by the members must be construed to include the votes cast by mail or by electronic mail.

§ 29-917. Voting provisions — Application to voting by delegates.

If an association has provided for voting by delegates, any provision of this chapter referring to votes cast by the members shall apply to votes cast by delegates, but this shall not permit delegates to vote by mail or electronic mail.

§ 29-918. Directors.

(a) An association shall be managed by a board of not less than 5 directors, who are elected for a term fixed in the bylaws, not to exceed 3 years, by and from the members of the association and hold office until their successors are elected or until removed. The bylaws of an association that provides multi-family cooperative housing for low and moderate income individuals who are receiving assistance through one or more of the federal programs described in [§ 47-1002\(20\)](#) may provide that one or more of the directors, but not a majority of the directors, may be appointed by a nonprofit sponsoring organization which helped create the association so as to maintain a continuing and stabilizing interest in its well-being; provided, that the sponsoring organization shall not appoint any directors after the association has been established for 10 years. The director or directors appointed by the sponsoring organization need not be members of the association. Vacancies in the board of directors, otherwise than by removal or expiration of term, shall be filled in such manner as the bylaws may provide.

(b) The bylaws may provide for a method of apportioning the number of directors among the units into which the association may be divided and for the election of directors by the respective units to which they are apportioned.

(c) An executive committee of the board of directors may be elected in such manner and with such powers and duties as the articles or bylaws may prescribe.

(d) Meetings of directors and of the executive committee may be held inside or outside the District.

(e) Unless the articles of incorporation or bylaws provide otherwise, the board of directors may permit any or all directors to participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

§ 29-919. Officers.

The officers of an association shall include a president, one or more vice-presidents, a secretary and a treasurer, or a secretary-treasurer. The officers shall be elected annually by the directors unless the bylaws otherwise provide. The president and at least one vice-president shall be directors, but no other officer need be a director.

§ 29-920. Removal of directors and officers; vote required for approval; vacancies.

A director or officer may be removed, with or without cause, by a vote of 2/3 of the members voting at a regular or special meeting. The director or officer involved shall have an opportunity to be heard in person or by counsel at the meeting. A vacancy caused by any such removal shall be filled by the vote provided in the bylaws for election of directors, if the bylaws provide for a means of electing or appointing officers that means.

§ 29-921. Referendum on acts of directors.

The articles or bylaws may provide that, within a specified period of time, any action taken by the directors shall be referred to the members for approval or disapproval if demanded by petition of at least 10% of all the members or by vote of at least a majority of the directors; provided, that the rights of third parties which have vested between the time of such action and such referendum shall not be impaired thereby.

§ 29-922. Limitations upon the return on capital.

(a) The return upon capital shall not exceed 6% per annum upon the paid-up capital and shall be noncumulative.

(b) Total return upon capital distributed for any single period shall not exceed 50% of the net savings for that period.

§ 29-923. Eligibility and admission to membership.

Any individual, association, corporation, incorporated or unincorporated group organized on a cooperative basis, any nonprofit group, or other entity shall be eligible for membership in an association if it has met the qualifications for eligibility, if any, stated in the articles or bylaws and shall be deemed a member upon payment in full for the par value of the minimum amount of share or membership capital stated in the articles as necessary to qualify for membership.

§ 29-924. Subscribers.

Any individual or group eligible for membership and legally obligated to purchase a share or shares of, or membership in, an association shall be deemed a subscriber. The articles or bylaws may determine whether, and the conditions under which, any voting rights or other rights of membership are granted to subscribers.

§ 29–925. Share and membership certificates; issuance and contents.

No certificate for share or membership capital shall be issued until the par value thereof has been paid for in full. A full or condensed statement of the requirements of §§ [29-913](#), [29-914](#), [29-915](#), and [29-927](#) shall be printed upon each certificate issued by an association.

§ 29–926. Transfer of shares and memberships; withdrawal.

(a) If a member desires to withdraw from the association or dispose of any or all of the member's holdings therein, the directors may purchase the holdings by paying the member the par value of any or all the holdings offered. The directors shall then reissue or cancel the holdings. A vote of the majority of the members voting at a regular or special meeting may order the directors to exercise this power to purchase.

(b) If the association fails, within 60 days of the original offer, to purchase all or any part of the holdings offered, the member may dispose of the unpurchased interest elsewhere, subject to the approval of the transferee by a majority vote of the directors. Any purported transferee not approved by the directors may appeal to the members at their first regular or special meeting thereafter and the action of the meeting shall be final. If the transferee is not approved, the directors shall exercise their power to purchase, if and when the purchase can be made without jeopardizing the solvency of the association.

§ 29–927. Share and membership certificates — Recall.

The bylaws may give the directors the power to use the reserve funds to recall, at par value, the holdings of any member in excess of the amount requisite for membership. The bylaws may also provide that if any member has failed to patronize the association during a period of time specified in the bylaws, the directors may use the reserve funds to recall all the member's holdings and thereupon the member shall cease to be a member of the association. When so recalled, the certificates of share or membership capital shall be either reissued or canceled.

§ 29–928. Share and membership certificates — Exemption for attachment, execution and garnishment.

The holdings of any member of an association, to the extent of the minimum amount necessary for membership, but not to exceed \$500, shall be exempt from attachment, execution, or garnishment for the debts of the owner. If any holdings in excess of this amount are subjected to such liability, the directors of the association may either admit the purchaser thereof to membership or may purchase from the purchaser the holdings at par value.

§ 29–929. Liability of members.

Members shall not be jointly or severally liable for any debts of the association. A subscriber shall not be liable for any debts of the association, except to the extent of the unpaid amount on the shares or membership certificate subscribed by the subscriber. No subscriber is released from liability by reason of any assignment of his interest in the shares or membership certificate, but shall remain jointly and severally liable with the assignee until the shares or certificates are fully paid up.

§ 29-930. Expulsion of members; procedure; purchase of holdings.

A member may be expelled by the vote of a majority of the members voting at a regular or special meeting. The member against whom the charges are to be preferred shall be informed thereof in writing at least 10 days in advance of the meeting and shall have an opportunity to be heard in person or by counsel at the meeting. On the decision of the association to expel a member, the board of directors shall purchase the member's holdings at par value, if and when there are sufficient reserve funds.

§ 29-931. Allocation and distribution of net savings.

At least once a year the members or the directors, or both, as the articles or bylaws may provide, shall apportion the net savings of the association in the following order:

(1) Not less than 10% shall be placed in a reserve fund until such time as the fund equals at least 50% of the paid-up capital. The fund may be used in the general conduct of the business. The amounts apportioned to the reserve fund shall be allocated on the books of the association on a patronage basis or, in lieu thereof, the books and records of the association shall afford a means for doing so, in order that upon dissolution or earlier, if deemed advisable, the reserves may be returned to the patrons who have contributed the same, subject to the limitations of [§ 29-934](#).

(2) A return upon capital, within the limitations of [§ 29-922](#), may be paid upon share capital, or, if the bylaws so provide, upon the membership capital certificates of a nonshare association, but the return upon capital may be paid only out of the surplus of the aggregate of the assets over the aggregate of the liabilities, including in the latter the amount of the capital stock, after deducting from the aggregate of the assets the amount by which such aggregate was increased by unrealized appreciation in value or revaluation of fixed assets.

(3) A portion of the remainder, as determined by the articles or bylaws, shall be allocated to an educational fund to be used in teaching cooperation, and a portion may also be allocated to funds for the general welfare of the members of the association.

(4) The remainder shall be allocated at the same uniform rate to all patrons of the association in proportion to their individual patronage in accordance with the following rules:

(A) In the case of a member patron, the member's proportionate amount of savings returns shall be distributed to the member unless the member agrees that the association should credit the amount to the member's account toward the purchase of an additional share or shares or additional membership capital.

(B) In the case of a subscriber patron, the patron's proportionate amount of savings returns may, as the articles or bylaws provide, be distributed to the patron or credited to the patron's account until the amount of capital subscribed for has been fully paid.

(C) In the case of a nonmember patron, the patron's proportionate amount of savings returns shall be set aside in a general fund for such patrons and shall be allocated to individual nonmember patrons only upon request and presentation of evidence of the amount of their patronage. Any savings return so allocated shall be credited to such patron toward payment of

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the minimum amount of share or membership capital necessary for membership. When a sum equal to this amount has accumulated at any time within a period of time specified in the bylaws, the patron shall be deemed to be, and becomes, a member of the association if the patron so agrees or requests and complies with any provisions in the bylaws for admission to membership. The certificates of shares or membership to which the patron is entitled shall then be issued to the patron.

(D)(i) Sub-subparagraph (ii) of this subparagraph shall apply if within any periods of time specified in the articles or bylaws:

(I) Any subscriber has not accumulated and paid in the amount of capital subscribed for;

(II) Any nonmember patron has not accumulated in the patron's individual account the sum necessary for membership; or

(III) Any nonmember patron has accumulated the sum necessary for membership, but the patron does not request or agree to become a member, or fails to comply with the provisions of the bylaws, if any, for admission to membership.

(ii) If any of the conditions set forth in sub-subparagraph (i) of this subparagraph occur, the amounts so accumulated or paid in and any part of the general fund for nonmember patrons which has not been allocated to individual nonmember patrons shall go to the educational fund and, thereafter, no member or other patron shall have any rights in this paid-in capital or accumulated savings returns as such; provided, that nothing in this section prevents an association:

(I) Under this chapter which is engaged in rendering services from disposing of the net savings from the rendering of such services in such manner as to lower the fees charged for services or otherwise to further the common benefit of the members; or

(II) From adopting a system whereby the payment of savings returns which would otherwise be distributed, shall be deferred for a fixed period of months or years, or from adopting a system whereby the savings returns distributed shall be partly in cash, partly in shares, the shares to be retired at a fixed future date, in the order of their serial number or date of issue.

§ 29-932. Bonding of officers and employees.

Every individual acting as officer or employee of an association and handling funds or securities amounting to \$1,000 or more, in any one year, shall be covered by an adequate bond, as determined by the board of directors and at the expense of the association. The bylaws may also provide for the bonding of other employees or officers.

§ 29-933. Audit.

To record its business operation, every association shall keep a set of books, which shall be audited at the end of each fiscal year by an experienced bookkeeper or accountant, who shall not be an officer or director. If the annual business amounts to less than \$10,000, the audit may be performed by an auditing committee of 3, who shall not be directors, officers, or employees. A written report of the audit, including a statement of the amount of business

transacted with members and the amount transacted with nonmembers, the balance sheet, and the income and expenses, shall be submitted to the annual meeting of the association.

§ 29–934. Dissolution; methods; vote required for approval; distribution of assets.

An association may, at any regular or special meeting legally called, be directed to dissolve by a vote of 2 /3 of the entire membership. By a vote of a majority of the members voting, 3 members shall be designated as trustees, who shall, on behalf of the association and within a time fixed in their designation or within any extension thereof, liquidate its assets, and shall distribute them in the manner set forth in this section. The association shall file a statement of dissolution with the Mayor. An action in the Superior Court for judicial dissolution of an association organized under this chapter may be instituted for the causes and prosecuted in the manner set forth in [part B of subchapter XII of Chapter 4 of this title](#); provided, that any distribution of assets shall be in the manner set forth in this section. In case of any dissolution of an association, its assets shall be distributed in the following manner and order:

- (1) Payment of its debts and expenses;
- (2) Returning to members the par value of their shares or of their membership certificates, return to the subscribers the amounts paid on their subscriptions, and returning to the patrons the amount of savings returns credited to their accounts toward the purchase of shares or membership certificates; and
- (3) Distribution of any surplus in either or both of the following ways as the articles may provide:
 - (A) Among those patrons who have been members or subscribers at any time during the past 6 years, on the basis of their patronage during that period; or
 - (B) As a gift to any consumers' cooperative association or other nonprofit enterprise which may be designated in the articles.

§ 29–935. Existing cooperative groups; acceptance of act; filing and recordation of amended articles and bylaws.

Any group incorporated under another law of the District and operating on a cooperative basis or any unincorporated group operating on such a basis in the District may elect by a vote of 2 /3 of the members voting to secure the benefits of and be bound by this chapter, and shall thereupon amend the parts of its articles and bylaws as are not in conformity with this chapter. A certified copy of the amended articles shall be delivered to the Mayor for filing.

§ 29–936. Foreign corporations and associations; admission to do business.

A foreign corporation or association operating on a cooperative basis and complying with the applicable laws of the state wherein it is organized shall be entitled to do business in the District as a foreign cooperative corporation or association and shall govern itself in accordance with its bylaws and the laws of the state wherein it is organized. A foreign corporation or association shall file a foreign registration statement as provided in [§ 29-105.03](#).

§ 29-937. Compliance with chapter; not in restraint of trade.

The fact that economic activity of a limited cooperative association, a subsidiary, or a related entity, is organized under this chapter shall not in itself cause the activity to be considered a conspiracy, a combination in restraint of trade, an illegal monopoly, or an attempt to lessen competition or fix prices arbitrarily.

§ 29-938. Chapter 3 of this title applicable to associations.

§ 29-939. Taxation; annual license fee.

Associations formed under this chapter, and foreign corporations and associations admitted under [§ 29-936](#) to do business in the District, shall pay an annual license fee established by the Mayor by rule.