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H.109

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Introduced by Representatives Nuovo of Middlebury, Bray of New Haven and

3

Jewett of Ripton

4

Referred to Committee on

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Date:

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Subject: Commerce; limited cooperative associations; uniform act

7

Statement of purpose: This bill proposes to adopt the Uniform Limited

8

Cooperative Association Act.

9

An act relating to the Uniform Limited Cooperative Association Act

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It is hereby enacted by the General Assembly of the State of Vermont:

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Sec. 1. Title 11C is added to read:

12

TITLE 11C. UNIFORM LIMITED COOPERATIVE ASSOCIATIONS

13

Article 1. General Provisions

14

§ 101. SHORT TITLE

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This title may be cited as the Uniform Limited Cooperative Association

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Act.

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§ 102. DEFINITIONS

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For purposes of this title, all statutory cross-references pertain to this title

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unless otherwise noted, and the following words have the following meanings:

1 (1) “Articles of organization” means the articles of organization of a
2 limited cooperative association required by section 302 of this title. The term
3 includes the articles as amended or restated.

4 (2) “Board of directors” means the board of directors of a limited
5 cooperative association.

6 (3) “Bylaws” means the bylaws of a limited cooperative association.
7 The term includes the bylaws as amended or restated.

8 (4) “Certificate of authority” means a certificate issued by the secretary
9 of state for a foreign cooperative to transact business in this state.

10 (5) “Contribution,” except as used in subsection 1008(c) of this title,
11 means a benefit that a person provides to a limited cooperative association to
12 become or remain a member or in the person’s capacity as a member.

13 (6) “Cooperative” means a limited cooperative association or an entity
14 organized under any cooperative law of any jurisdiction.

15 (7) “Designated office” means the office that a limited cooperative
16 association or a foreign cooperative is required to designate and maintain under
17 subdivision 117(a)(1) of this title.

18 (8) “Director” means a director of a limited cooperative association.

19 (9) “Distribution,” except as used in subsection 1007(e) of this title,
20 means a transfer of money or other property from a limited cooperative

1 association to a member because of the member's financial rights or to a
2 transferee of a member's financial rights.

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

4 (11) "Financial rights" means the right to participate in allocations and
5 distributions as provided in Articles 10 and 12 of this title but does not include
6 rights or obligations under a marketing contract governed by Article 7 of this
7 title.

8 (12) "Foreign cooperative" means an entity organized in a jurisdiction
9 other than this state under a law similar to this title.

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

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

14 (A) is not required by the organic rules to conduct patronage with the
15 association in the member's capacity as an investor member in order to receive
16 the member's interest; or

17 (B) is not permitted by the organic rules to conduct patronage with
18 the association in the member's capacity as an investor member in order to
19 receive the member's interest.

20 (15) "Limited cooperative association" means an association organized
21 under this title.

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

4 (17) “Member’s interest” means the interest of a patron member or
5 investor member under section 601 of this title.

6 (18) “Members meeting” means an annual members meeting or special
7 meeting of members.

8 (19) “Organic law” means the statute providing for the creation of an
9 entity or principally governing its internal affairs.

10 (20) “Organic rules” means the articles of organization and bylaws of a
11 limited cooperative association.

12 (21) “Organizer” means an individual who signs the initial articles of
13 organization.

14 (22) “Patron member” means a member that has made a contribution to
15 a limited cooperative association and:

16 (A) is required by the organic rules to conduct patronage with the
17 association in the member’s capacity as a patron member in order to receive
18 the member’s interest; or

19 (B) is permitted by the organic rules to conduct patronage with the
20 association in the member’s capacity as a patron member in order to receive
21 the member’s interest.

1 (23) “Patronage” means business transactions between a limited
2 cooperative association and a person which entitle the person to receive
3 financial rights based on the value or quantity of business done between the
4 association and the person.

5 (24) “Person” means an individual, corporation, business trust,
6 cooperative, estate, trust, partnership, limited partnership, limited liability
7 company, limited cooperative association, joint venture, association, public
8 corporation, government or governmental subdivision, agency, or
9 instrumentality, or any other legal or commercial entity.

10 (25) “Principal office” means the principal executive office of a limited
11 cooperative association or foreign cooperative, whether or not in this state.

12 (26) “Record,” used as a noun, means information that is inscribed on a
13 tangible medium or that is stored in an electronic or other medium and is
14 retrievable in perceivable form.

15 (27) “Required information” means the information a limited
16 cooperative association is required to maintain under section 114 of this title.

17 (28) “Sign” means, with present intent to authenticate or adopt a record:

18 (A) to execute or adopt a tangible symbol; or

19 (B) to attach to or logically associate with the record an electronic
20 symbol, sound, or process.

1 (29) “State” means a state of the United States, the District of Columbia,
2 Puerto Rico, the United States Virgin Islands, or any territory or insular
3 possession subject to the jurisdiction of the United States.

4 (30) “Transfer” includes an assignment, conveyance, deed, bill of sale,
5 lease, mortgage, security interest, encumbrance, gift, and transfer by operation
6 of law.

7 (31) “Voting group” means any combination of one or more voting
8 members in one or more districts or classes that under the organic rules or this
9 title are entitled to vote and can be counted together collectively on a matter at
10 a members meeting.

11 (32) “Voting member” means a member that, under the organic law or
12 organic rules, has a right to vote on matters subject to vote by members under
13 the organic law or organic rules.

14 (33) “Voting power” means the total current power of members to vote
15 on a particular matter for which a vote may or is to be taken.

16 § 103. LIMITED COOPERATIVE ASSOCIATION SUBJECT TO

17 AMENDMENT OR REPEAL

18 A limited cooperative association governed by this title is subject to any
19 amendment or repeal.

1 § 104. NATURE OF LIMITED COOPERATIVE ASSOCIATION

2 (a) A limited cooperative association organized under this title is an
3 autonomous, unincorporated association of persons united to meet their mutual
4 interests through a jointly owned enterprise primarily controlled by those
5 persons, which permits combining:

6 (1) ownership, financing, and receipt of benefits by the members for
7 whose interests the association is formed; and

8 (2) separate investments in the association by members who may
9 receive returns on their investments and a share of control.

10 (b) The fact that a limited cooperative association does not have one or
11 more of the characteristics described in subsection (a) of this section does not
12 alone prevent the association from being formed under and governed by this
13 title nor does it alone provide a basis for an action against the association.

14 § 105. PURPOSE AND DURATION OF LIMITED COOPERATIVE
15 ASSOCIATION

16 (a) A limited cooperative association is an entity distinct from its members.

17 (b) A limited cooperative association may be organized for any lawful
18 purpose, whether or not for profit [except designated prohibited purposes].

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

1 § 106. POWERS

2 A limited cooperative association may sue and be sued in its own name and
3 do all things necessary or convenient to carry on its activities. An association
4 may maintain an action against a member for harm caused to the association by
5 the member's violation of a duty to the association or of the organic law or
6 organic rules.

7 § 107. GOVERNING LAW

8 The law of this state governs:

- 9 (1) the internal affairs of a limited cooperative association; and
10 (2) the liability of a member as member and a director as director for the
11 debts, obligations, or other liabilities of a limited cooperative association.

12 § 108. SUPPLEMENTAL PRINCIPLES OF LAW

13 Unless displaced by particular provisions, the principles of law and equity
14 supplement this title.

15 § 109. REQUIREMENTS OF OTHER LAWS

16 (a) This title does not alter or amend any law that governs the licensing and
17 regulation of an individual or entity in carrying on a specific business or
18 profession even if that law permits the business or profession to be conducted
19 by a limited cooperative association, a foreign cooperative, or its members.

20 (b) A limited cooperative association may not conduct an activity that,
21 under law of this state other than this title, may be conducted only by an entity

1 that meets specific requirements for the internal affairs of that entity unless the
2 organic rules of the association conform to those requirements.

3 (c) If an activity of a limited cooperative association is within the scope of
4 the Uniform Common Interest Ownership Act, the requirements of the
5 Uniform Common Interest Ownership Act apply, even if there is a conflicting
6 provision in this title.

7 § 110. RELATION TO RESTRAINT OF TRADE AND ANTITRUST LAWS

8 To the extent a limited cooperative association or activities conducted by
9 the association in this state meet the material requirements for other
10 cooperatives entitled to an exemption from or immunity under any provision of
11 the restraint of trade or antitrust laws of this state, the association and its
12 activities are entitled to the exemption or immunity. This section does not
13 create any new exemption or immunity for an association or affect any
14 exemption or immunity provided to a cooperative organized under any other
15 law.

16 § 111. NAME

17 (a) Use of the term “cooperative” or its abbreviation under this title is not a
18 violation of the provisions restricting the use of the term under section 992 of
19 Title 11.

20 (b) The name of a limited cooperative association must contain the words
21 “limited cooperative association” or “limited cooperative” or the abbreviation

1 “L.C.A.” or “LCA.” “Limited” may be abbreviated as “Ltd.” “Cooperative”
2 may be abbreviated as “Co-op” or “Coop.” “Association” may be abbreviated
3 as “Assoc.” or “Assn.”

4 (c) Except as otherwise provided in subsection (d) of this section, a limited
5 cooperative association may use only a name that is available. A name is
6 available if it is distinguishable in the records of the secretary of state from:

7 (1) the name of any entity organized or authorized to transact business
8 in this state;

9 (2) a name reserved under section 112 of this title; and

10 (3) an alternative name approved for a foreign cooperative authorized to
11 transact business in this state.

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

15 (1) the person with ownership rights to use the name consents in a
16 record to the use and applies in a form satisfactory to the secretary of state to
17 change the name used or reserved to a name that is distinguishable upon the
18 records of the secretary of state from the name applied for; or

19 (2) the applicant delivers to the secretary of state a certified copy of the
20 final judgment of a court establishing the applicant’s right to use the name in
21 this state.

1 § 112. RESERVATION OF NAME

2 (a) A person may reserve the exclusive use of the name of a limited
3 cooperative association, including a fictitious name for a foreign cooperative
4 whose name is not available under section 111 of this title, by delivering an
5 application to the secretary of state for filing. The application must set forth
6 the name and address of the applicant and the name proposed to be reserved.
7 If the secretary of state finds that the name applied for is available under
8 section 111 of this title, the secretary of state shall reserve the name for the
9 applicant's exclusive use for a nonrenewable period of 120 days.

10 (b) A person that has reserved a name for a limited cooperative association
11 may transfer the reservation to another person by delivering to the secretary of
12 state a signed notice of the transfer which states the name, street address, and,
13 if different, the mailing address of the transferee. If the person is an organizer
14 of the association and the name of the association is the same as the reserved
15 name, the delivery of articles of organization for filing by the secretary of state
16 is a transfer by the person to the association.

17 § 113. EFFECT OF ORGANIC RULES

18 (a) The relations between a limited cooperative association and its
19 members are consensual. Unless required, limited, or prohibited by this title,
20 the organic rules may provide for any matter concerning the relations among

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

3 (b) The matters referred to in subdivisions (1) through (12) of this
4 subsection may be varied only in the articles of organization. The articles
5 may:

6 (1) state a term of existence for the association under subsection 105(c)
7 of this title;

8 (2) limit or eliminate the acceptance of new or additional members by
9 the initial board of directors under subsection 303(b) of this title;

10 (3) vary the limitations on the obligations and liability of members for
11 association obligations under section 504 of this title;

12 (4) require a notice of an annual members meeting to state a purpose of
13 the meeting under subsection 508(b) of this title;

14 (5) vary the board of directors meeting quorum under subsection 815(a)
15 of this title;

16 (6) vary the matters the board of directors may consider in making a
17 decision under section 820 of this title;

18 (7) specify causes of dissolution under subsection 1202(1) of this title;

19 (8) delegate amendment of the bylaws to the board of directors pursuant
20 to subsection 405(f) of this title;

1 (9) provide for member approval of asset dispositions under section
2 1501 of this title; and

3 (10) subject to section 820 of this title, provide for the elimination or
4 limitation of liability of a director to the association or its members for money
5 damages pursuant to section 818 of this title;

6 (11) provide for permitting or making obligatory indemnification under
7 subsection 901(a) of this title; and

8 (12) provide for any matters that may be contained in the organic rules,
9 including those under subsection (c) of this section.

10 (c) The matters referred to in subdivisions (1) through (25) of this
11 subsection may be varied only in the organic rules. The organic rules may:

12 (1) require more information to be maintained under section 114 of this
13 title or provided to members under subsection 505(k) of this title;

14 (2) provide restrictions on transactions between a member and an
15 association under section 115 of this title;

16 (3) provide for the percentage and manner of voting on amendments to
17 the organic rules by district, class, or voting group under subsection 404(a) of
18 this title;

19 (4) provide for the percentage vote required to amend the bylaws
20 concerning the admission of new members under subdivision 405(e)(5) of this
21 title;

1 (5) provide for terms and conditions to become a member under section
2 502 of this title;

3 (6) restrict the manner of conducting members' meetings under
4 subsections 506(c) and 507(e) of this title;

5 (7) designate the presiding officer of members' meetings under
6 subsections 506(e) and 507(g) of this title;

7 (8) require a statement of purposes in the annual meeting notice under
8 subsection 508(b) of this title;

9 (9) increase quorum requirements for members' meetings under section
10 510 of this title and board of directors meetings under section 815 of this title;

11 (10) allocate voting power among members, including patron members
12 and investor members, and provide for the manner of member voting and
13 action as permitted by sections 511 through 517 of this title;

14 (11) authorize investor members and expand or restrict the
15 transferability of members' interests to the extent provided in sections 602
16 through 604 of this title;

17 (12) provide for enforcement of a marketing contract under subsection
18 704(a) of this title;

19 (13) provide for qualification, election, terms, removal, filling
20 vacancies, and member approval for compensation of directors in accordance
21 with sections 803 through 805, 807, 809, and 810 of this title;

1 (14) restrict the manner of conducting board meetings and taking action
2 without a meeting under sections 811 and 812 of this title;

3 (15) provide for frequency, location, notice and waivers of notice for
4 board meetings under sections 813 and 814 of this title;

5 (16) increase the percentage of votes necessary for board action under
6 subsection 816(b) of this title;

7 (17) provide for the creation of committees of the board of directors and
8 matters related to the committees in accordance with section 817 of this title;

9 (18) provide for officers and their appointment, designation, and
10 authority under section 822 of this title;

11 (19) provide for forms and values of contributions under section 1002 of
12 this title;

13 (20) provide for remedies for failure to make a contribution under
14 subsection 1003(b) of this title;

15 (21) provide for the allocation of profits and losses of the association,
16 distributions, and the redemption or repurchase of distributed property other
17 than money in accordance with sections 1004 through 1007 of this title;

18 (22) specify when a member's dissociation is wrongful and the liability
19 incurred by the dissociating member for damage to the association under
20 subsections 1101(b) and (c) of this title;

1 (23) provide the personal representative, or other legal representative of,
2 a deceased member or a member adjudged incompetent with additional rights
3 under section 1103 of this title;

4 (24) increase the percentage of votes required for board of director
5 approval of:

6 (A) a resolution to dissolve under subdivision 1205(a)(1) of this title;

7 (B) a proposed amendment to the organic rules under subdivision
8 402(a)(1) of this title;

9 (C) a plan of conversion under subsection 1603(a) of this title;

10 (D) a plan of merger under subsection 1607(a) of this title; and

11 (E) a proposed disposition of assets under subsection 1503(1) of this
12 title; and

13 (25) vary the percentage of votes required for members approval of:

14 (A) a resolution to dissolve under section 1205 of this title;

15 (B) an amendment to the organic rules under section 405 of this title;

16 (C) a plan of conversion under section 1603 of this title;

17 (D) a plan of merger under section 1608 of this title; and

18 (E) a disposition of assets under section 1504 of this title.

19 (d) The organic rules must address members' contributions pursuant to
20 section 1001 of this title.

21 § 114. REQUIRED INFORMATION

1 (a) Subject to subsection (b) of this section, a limited cooperative
2 association shall maintain in a record available at its principal office:

3 (1) a list containing the name, last known street address and, if different,
4 mailing address, and term of office of each director and officer;

5 (2) the initial articles of organization and all amendments to and
6 restatements of the articles, together with a signed copy of any power of
7 attorney under which any article, amendment, or restatement has been signed;

8 (3) the initial bylaws and all amendments to and restatements of the
9 bylaws;

10 (4) all filed articles of merger and statements of conversion;

11 (5) all financial statements of the association for the six most recent
12 years;

13 (6) the six most recent annual reports delivered by the association to the
14 secretary of state;

15 (7) the minutes of members' meetings for the six most recent years;

16 (8) evidence of all actions taken by members without a meeting for the
17 six most recent years;

18 (9) a list containing:

19 (A) the name, in alphabetical order, and last known street address
20 and, if different, mailing address of each patron member and each investor
21 member; and

1 (B) if the association has districts or classes of members, information
2 from which each current member in a district or class may be identified;

3 (10) the federal income tax returns, any state and local income tax
4 returns, and any tax reports of the association for the six most recent years;

5 (11) accounting records maintained by the association in the ordinary
6 course of its operations for the six most recent years;

7 (12) the minutes of directors' meetings for the six most recent years;

8 (13) evidence of all actions taken by directors without a meeting for the
9 six most recent years;

10 (14) the amount of money contributed and agreed to be contributed by
11 each member;

12 (15) a description and statement of the agreed value of contributions
13 other than money made and agreed to be made by each member;

14 (16) the times at which, or events on the happening of which, any
15 additional contribution is to be made by each member;

16 (17) for each member, a description and statement of the member's
17 interest or information from which the description and statement can be
18 derived; and

19 (18) all communications concerning the association made in a record to
20 all members, or to all members in a district or class, for the six most recent
21 years.

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

4 (c) The organic rules may require that more information be maintained.

5 § 115. BUSINESS TRANSACTIONS OF MEMBER WITH LIMITED
6 COOPERATIVE ASSOCIATION

7 Subject to sections 818 and 819 of this title and except as otherwise
8 provided in the organic rules or a specific contract relating to a transaction, a
9 member may lend money to and transact other business with a limited
10 cooperative association in the same manner as a person that is not a member.

11 § 116. DUAL CAPACITY

12 A person may have a patron member's interest and an investor member's
13 interest. When such person acts as a patron member, the person is subject to
14 this title and the organic rules governing patron members. When such person
15 acts as an investor member, the person is subject to this title and the organic
16 rules governing investor members.

17 § 117. DESIGNATED OFFICE AND AGENT FOR SERVICE OF
18 PROCESS

19 (a) A limited cooperative association, or a foreign cooperative that has a
20 certificate of authority under section 1404 of this title, shall designate and
21 continuously maintain in this state:

1 (1) an office, as its designated office, which need not be a place of the
2 association's or foreign cooperative's activity in this state; and

3 (2) an agent for service of process at the designated office.

4 (b) An agent for service of process of a limited cooperative association or
5 foreign cooperative must be an individual who is a resident of this state or an
6 entity that is authorized to do business in this state.

7 § 118. CHANGE OF DESIGNATED OFFICE OR AGENT FOR SERVICE
8 OF PROCESS

9 (a) Except as otherwise provided in subsection 207(e) of this title, to
10 change its designated office, its agent for service of process, or the street
11 address or, if different, mailing address of its principal office, a limited
12 cooperative association must deliver to the secretary of state for filing a
13 statement of change containing:

14 (1) the name of the limited cooperative association;

15 (2) the street address and, if different, mailing address of its designated
16 office;

17 (3) if the designated office is to be changed, the street address and, if
18 different, mailing address of the new designated office;

19 (4) the name of its agent for service of process; and

20 (5) if the agent for service of process is to be changed, the name of the
21 new agent.

1 (b) Except as otherwise provided in subsection 207(e) of this title, to
2 change its agent for service of process, the address of its designated office, or
3 the street address or, if different, mailing address of its principal office, a
4 foreign cooperative shall deliver to the secretary of state for filing a statement
5 of change containing:

6 (1) the name of the foreign cooperative;

7 (2) the name, street address and, if different, mailing address of its
8 designated office;

9 (3) if the current agent for service of process or an address of the
10 designated office is to be changed, the new information;

11 (4) the street address and, if different, the mailing address of its
12 principal office; and

13 (5) if the street address or, if different, the mailing address of its
14 principal office is to be changed, the street address and, if different, the mailing
15 address of the new principal office.

16 (c) Except as otherwise provided in section 204 of this title, a statement of
17 change is effective when filed by the secretary of state.

18 § 119. RESIGNATION OF AGENT FOR SERVICE OF PROCESS

19 (a) To resign as an agent for service of process of a limited cooperative
20 association or foreign cooperative, the agent must deliver to the secretary of

1 state for filing a statement of resignation containing the name of the agent and
2 the name of the association or foreign cooperative.

3 (b) After receiving a statement of resignation under subsection (a) of this
4 section, the secretary of state shall file it and mail or otherwise provide or
5 deliver a copy to the limited cooperative association or foreign cooperative at
6 its principal office.

7 (c) An agency for service of process of a limited cooperative association or
8 foreign cooperative terminates on the earlier of:

9 (1) the 31st day after the secretary of state files a statement of
10 resignation under subsection (b) of this section; or

11 (2) when a record designating a new agent for service of process is
12 delivered to the secretary of state for filing on behalf of the association or
13 foreign cooperative and becomes effective.

14 § 120. SERVICE OF PROCESS

15 (a) An agent for service of process appointed by a limited cooperative
16 association or foreign cooperative is an agent of the association or foreign
17 cooperative for service of process, notice, or a demand required or permitted
18 by law to be served upon the association or foreign cooperative.

19 (b) If a limited cooperative association or foreign cooperative does not
20 appoint or maintain an agent for service of process in this state or the agent for
21 service of process cannot with reasonable diligence be found at the address of

1 the designated office on file with the secretary of state, the secretary of state is
2 an agent of the association or foreign cooperative upon which process, notice,
3 or a demand may be served.

4 (c) Service of process, notice, or a demand on the secretary of state as agent
5 of a limited cooperative association or foreign cooperative may be made by
6 delivering to the secretary of state two copies of the process, notice, or
7 demand. The secretary of state shall forward one copy by registered or
8 certified mail, return receipt requested, to the association or foreign
9 cooperative at its principal office.

10 (d) Service is effected under subsection (c) of this section on the earliest of:

11 (1) the date the limited cooperative association or foreign cooperative
12 receives the process, notice, or demand;

13 (2) the date shown on the return receipt, if signed on behalf of the
14 association or foreign cooperative; or

15 (3) five days after the process, notice, or demand is deposited by the
16 secretary of state for delivery by the United States Postal Service, if postage is
17 prepaid to the address of the principal office on file with the secretary of state.

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

1 § 202. SIGNING AND FILING OF RECORDS PURSUANT TO JUDICIAL
2 ORDER

3 (a) If a person required by this title to sign or deliver a record to the
4 secretary of state for filing does not do so, the superior court of the county of
5 the corporation's principal office, in the case of a domestic corporation, or the
6 corporation's registered office, in the case of a foreign corporation, upon
7 petition of an aggrieved person, may order:

8 (1) the person to sign the record and deliver it to the secretary of state
9 for filing; or

10 (2) delivery of the unsigned record to the secretary of state for filing.

11 (b) An aggrieved person under subsection (a) of this section, other than the
12 limited cooperative association or foreign cooperative to which the record
13 pertains, shall make the association or foreign cooperative a party to the action
14 brought to obtain the order.

15 (c) An unsigned record filed pursuant to this section is effective.

16 § 203. DELIVERY TO AND FILING OF RECORDS BY SECRETARY OF
17 STATE; EFFECTIVE TIME AND DATE

18 (a) A record authorized or required by this title to be delivered to the
19 secretary of state for filing must be captioned to describe the record's purpose,
20 be in a medium and format permitted by the secretary of state, and be delivered
21 to the secretary of state. If the filing fees have been paid, and unless the

1 secretary of state determines that the record does not comply with the filing
2 requirements , the secretary of state shall file the record [and send a copy of the
3 filed record and a receipt for the fees to the person on whose behalf the record
4 was filed].

5 (b) The secretary of state, upon request and payment of the required fee,
6 shall furnish a certified copy of any record filed by the secretary of state under
7 this title to the person making the request.

8 (c) Except as otherwise provided in sections 118 and 204 of this title, a
9 record delivered to the secretary of state for filing under this title may specify
10 an effective time and a delayed effective date that may include an effective
11 time on that date. Except as otherwise provided in sections 118 and 204 of this
12 title, a record filed by the secretary of state under this title is effective:

13 (1) if the record does not specify an effective time and does not specify
14 a delayed effective date, on the date and at the time the record is filed as
15 evidenced by the secretary of state's endorsement of the date and time on the
16 record;

17 (2) if the record specifies an effective time but not a delayed effective
18 date, on the date the record is filed at the time specified in the record;

19 (3) if the record specifies a delayed effective date but not an effective
20 time, at 12:01 a.m. on the earlier of:

21 (A) the specified date; or

- 1 (B) the 90th day after the record is filed; or
2 (4) if the record specifies an effective time and a delayed effective date,
3 at the specified time on the earlier of:
4 (A) the specified date; or
5 (B) the 90th day after the record is filed.

6 § 204. CORRECTING FILED RECORD

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

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

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

16 (2) specify the inaccurate information and the reason it is inaccurate or
17 the manner in which the signing was defective; and

18 (3) correct the inaccurate information or defective signature.

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

1 (1) when filed as to persons relying on the inaccurate information or
2 defective signature before its correction and adversely affected by the
3 correction; and

4 (2) as to all other persons, retroactively as of the effective date and time
5 of the record the statement corrects.

6 § 205. LIABILITY FOR INACCURATE INFORMATION IN FILED

7 RECORD

8 If a record delivered to the secretary of state for filing under this title and
9 filed by the secretary of state contains inaccurate information, a person that
10 suffers a loss by reliance on the information may recover damages for the loss
11 from a person that signed the record or caused another to sign it on the
12 person's behalf and knew at the time the record was signed that the
13 information was inaccurate.

14 § 206. CERTIFICATE OF GOOD STANDING OR AUTHORIZATION

15 (a) The secretary of state, upon request and payment of the required fee,
16 shall furnish any person that requests it a certificate of good standing for a
17 limited cooperative association if the records filed in the office of the secretary
18 of state show that the secretary of state has filed the association's articles of
19 organization, that the association is in good standing, and that the secretary of
20 state has not filed a statement of termination.

1 (b) The secretary of state, upon request and payment of the required fee,
2 shall furnish to any person that requests it a certificate of authority for a
3 foreign cooperative if the records filed in the office of the secretary of state
4 show that the secretary of state has filed the foreign cooperative's certificate of
5 authority, has not revoked nor has reason to revoke the certificate of authority,
6 and has not filed a notice of cancellation.

7 (c) Subject to any exceptions stated in the certificate, a certificate of good
8 standing or authority issued by the secretary of state establishes conclusively
9 that the limited cooperative association or foreign cooperative is in good
10 standing or is authorized to transact business in this state.

11 § 207. ANNUAL REPORT FOR SECRETARY OF STATE

12 (a) A limited cooperative association or foreign cooperative authorized to
13 transact business in this state shall deliver to the secretary of state for filing an
14 annual report that states:

15 (1) the name of the association or foreign cooperative;

16 (2) the street address and, if different, mailing address of the
17 association's or foreign cooperative's designated office and the name of its
18 agent for service of process at the designated office;

19 (3) the street address and, if different, mailing address of the
20 association's or foreign cooperative's principal office; and

1 (4) in the case of a foreign cooperative, the state or other jurisdiction
2 under whose law the foreign cooperative is formed and any alternative name
3 adopted under section 1405 of this title.

4 (b) Information in an annual report must be current as of the date the report
5 is delivered to the secretary of state.

6 (c) The first annual report must be delivered to the secretary of state
7 between [January 1 and April 1] of the year following the calendar year in
8 which the limited cooperative association is formed or the foreign cooperative
9 is authorized to transact business in this state. [An annual report must be
10 delivered to the secretary of state between [January 1 and April 1] of each
11 subsequent calendar year.] [An annual report shall be delivered to the secretary
12 of state within two and one-half months after the expiration of the
13 corporation's fiscal year.]

14 (d) If an annual report does not contain the information required by
15 subsection (a) of this section, the secretary of state shall promptly notify the
16 reporting limited cooperative association or foreign cooperative and return the
17 report for correction. If the report is corrected to contain the information
18 required by subsection (a) of this section and delivered to the secretary of state
19 not later than 30 days after the date of the notice from the secretary of state, it
20 is timely delivered.

1 § 302. FORMATION OF LIMITED COOPERATIVE ASSOCIATION;

2 ARTICLES OF ORGANIZATION

3 (a) To form a limited cooperative association, an organizer of the
4 association must deliver articles of organization to the secretary of state for
5 filing. The articles must state:

6 (1) the name of the association;

7 (2) the purposes for which the association is formed;

8 (3) the street address and, if different, mailing address of the
9 association's initial designated office and the name of the association's initial
10 agent for service of process at the designated office;

11 (4) the street address and, if different, mailing address of the initial
12 principal office;

13 (5) the name and street address and, if different, mailing address of each
14 organizer; and

15 (6) the term for which the association is to exist if other than perpetual.

16 (b) Subject to subsection 113(a) of this title, articles of organization may
17 contain any other provisions in addition to those required by subsection (a) of
18 this section.

19 (c) A limited cooperative association is formed after articles of
20 organization that substantially comply with subsection (a) of this section are

1 delivered to the secretary of state, are filed, and become effective under
2 subsection 203(c) of this title.

3 (d) If articles of organization filed by the secretary of state provide for a
4 delayed effective date, a limited cooperative association is not formed if,
5 before the articles take effect, an organizer signs and delivers to the secretary
6 of state for filing a statement of cancellation.

7 § 303. ORGANIZATION OF LIMITED COOPERATIVE ASSOCIATION

8 (a) After a limited cooperative association is formed:

9 (1) if initial directors are named in the articles of organization, the initial
10 directors shall hold an organizational meeting to adopt initial bylaws and carry
11 on any other business necessary or proper to complete the organization of the
12 association; or

13 (2) if initial directors are not named in the articles of organization, the
14 organizers shall designate the initial directors and call a meeting of the initial
15 directors to adopt initial bylaws and carry on any other business necessary or
16 proper to complete the organization of the association.

17 (b) Unless the articles of organization otherwise provide, the initial
18 directors may cause the limited cooperative association to accept members,
19 including those necessary for the association to begin business.

20 (c) Initial directors need not be members.

1 (d) An initial director serves until a successor is elected and qualified at a
2 members meeting or the director is removed, resigns, is adjudged incompetent,
3 or dies.

4 § 304. BYLAWS

5 (a) Bylaws must be in a record and, if not stated in the articles of
6 organization, must include:

7 (1) a statement of the capital structure of the limited cooperative
8 association, including:

9 (A) the classes or other types of members' interests and relative
10 rights, preferences, and restrictions granted to or imposed upon each class or
11 other type of member's interest; and

12 (B) the rights to share in profits or distributions of the association;

13 (2) a statement of the method for admission of members;

14 (3) a statement designating voting and other governance rights,
15 including which members have voting power and any restriction on voting
16 power;

17 (4) a statement that a member's interest is transferable if it is to be
18 transferable and a statement of the conditions upon which it may be
19 transferred;

20 (5) a statement concerning the manner in which profits and losses are
21 allocated and distributions are made among patron members and, if investor

1 members are authorized, the manner in which profits and losses are allocated
2 and how distributions are made among investor members and between patron
3 members and investor members;

4 (6) a statement concerning:

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

8 (B) the manner in which profits and losses are allocated and
9 distributions are made with respect to those persons; and

10 (7) a statement of the number and terms of directors or the method by
11 which the number and terms are determined.

12 (b) Subject to subsection 113(c) of this title and the articles of organization,
13 bylaws may contain any other provision for managing and regulating the
14 affairs of the association.

15 (c) In addition to amendments permitted under Article 4 of this title, the
16 initial board of directors may amend the bylaws by a majority vote of the
17 directors at any time before the admission of members.

1 Article 4. Amendment of Organic Rules of Limited Cooperative Association

2 § 401. AUTHORITY TO AMEND ORGANIC RULES

3 (a) A limited cooperative association may amend its organic rules under
4 this article for any lawful purpose. In addition, the initial board of directors
5 may amend the bylaws of an association under section 304 of this title.

6 (b) Unless the organic rules otherwise provide, a member does not have a
7 vested property right resulting from any provision in the organic rules,
8 including a provision relating to the management, control, capital structure,
9 distribution, entitlement, purpose, or duration of the limited cooperative
10 association.

11 § 402. NOTICE AND ACTION ON AMENDMENT OF ORGANIC RULES

12 (a) Except as provided in subsections 401(a) and 405(f) of this title, the
13 organic rules of a limited cooperative association may be amended only at a
14 members meeting. An amendment may be proposed by either:

15 (1) a majority of the board of directors, or a greater percentage if
16 required by the organic rules; or

17 (2) one or more petitions signed by at least 10 percent of the patron
18 members or at least 10 percent of the investor members.

19 (b) The board of directors shall call a members meeting to consider an
20 amendment proposed pursuant to subsection (a) of this section. The meeting
21 must be held not later than 90 days following the proposal of the amendment

1 by the board or receipt of a petition. The board must mail or otherwise
2 transmit or deliver in a record to each member:

3 (1) the proposed amendment, or a summary of the proposed amendment
4 and a statement of the manner in which a copy of the amendment in a record
5 may be reasonably obtained by a member;

6 (2) a recommendation that the members approve the amendment, or if
7 the board determines that because of conflict of interest or other special
8 circumstances it should not make a favorable recommendation, the basis for
9 that determination;

10 (3) a statement of any condition of the board's submission of the
11 amendment to the members; and

12 (4) notice of the meeting at which the proposed amendment will be
13 considered, which must be given in the same manner as notice for a special
14 meeting of members.

15 § 403. METHOD OF VOTING ON AMENDMENT OF ORGANIC RULES

16 (a) A substantive change to a proposed amendment of the organic rules
17 may not be made at the members meeting at which a vote on the amendment
18 occurs.

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

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

4 § 404. VOTING BY DISTRICT, CLASS, OR VOTING GROUP

5 (a) This section applies if the organic rules provide for voting by district or
6 class, or if there is one or more identifiable voting groups that a proposed
7 amendment to the organic rules would affect differently from other members
8 with respect to matters identified in subdivisions 405(e)(1) through (5) of this
9 title. Approval of the amendment requires the same percentage of votes of the
10 members of that district, class, or voting group required in sections 405 and
11 514 of this title.

12 (b) If a proposed amendment to the organic rules would affect members in
13 two or more districts or classes entitled to vote separately under subsection (a)
14 of this section in the same or a substantially similar way, the districts or classes
15 affected must vote as a single voting group unless the organic rules otherwise
16 provide for separate voting.

17 § 405. APPROVAL OF AMENDMENT

18 (a) Subject to section 404 of this title and subsections (c) and (d) of this
19 section, an amendment to the articles of organization must be approved by:

20 (1) at least two-thirds of the voting power of members present at a
21 members meeting called under section 402 of this title; and

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

4 (b) Subject to section 404 of this title and subsections (c), (d), (e) and (f) of
5 this section, an amendment to the bylaws must be approved by:

6 (1) at least a majority vote of the voting power of all members present at
7 a members meeting called under section 402 of this title, unless the organic
8 rules require a greater percentage; and

9 (2) if a limited cooperative association has investor members, a majority
10 of the votes cast by patron members, unless the organic rules require a larger
11 affirmative vote by patron members.

12 (c) The organic rules may require that the percentage of votes under
13 subdivision (a)(1) or (b)(1) of this section be:

14 (1) a different percentage that is not less than a majority of members
15 voting at the meeting;

16 (2) measured against the voting power of all members; or

17 (3) a combination of subdivisions (1) and (2) of this subsection.

18 (d) Consent in a record by a member must be delivered to a limited
19 cooperative association before delivery of an amendment to the articles of
20 organization or restated articles of organization for filing pursuant to section
21 407 of this title, if as a result of the amendment the member will have:

1 (1) personal liability for an obligation of the association; or

2 (2) an obligation or liability for an additional contribution.

3 (e) The vote required to amend bylaws must satisfy the requirements of
4 subsection (a) of this section if the proposed amendment modifies:

5 (1) the equity capital structure of the limited cooperative association,
6 including the rights of the association's members to share in profits or
7 distributions, or the relative rights, preferences, and restrictions granted to or
8 imposed upon one or more districts, classes, or voting groups of similarly
9 situated members;

10 (2) the transferability of a member's interest;

11 (3) the manner or method of allocation of profits or losses among
12 members;

13 (4) the quorum for a meeting and the rights of voting and governance; or

14 (5) unless otherwise provided in the organic rules, the terms for
15 admission of new members.

16 (f) Except for the matters described in subsection (e) of this section, the
17 articles of organization may delegate amendment of all or a part of the bylaws
18 to the board of directors without requiring member approval.

19 (g) If the articles of organization delegate amendment of bylaws to the
20 board of directors, the board shall provide a description of any amendment of
21 the bylaws made by the board to the members in a record not later than 30 days

1 after the amendment, but the description may be provided at the next annual
2 members' meeting if the meeting is held within the 30-day period.

3 § 406. RESTATED ARTICLES OF ORGANIZATION

4 A limited cooperative association, by the affirmative vote of a majority of
5 the board of directors taken at a meeting for which the purpose is stated in the
6 notice of the meeting, may adopt restated articles of organization that contain
7 the original articles as previously amended. Restated articles may contain
8 amendments if the restated articles are adopted in the same manner and with
9 the same vote as required for amendments to the articles under subsection
10 405(a) of this title. Upon filing, restated articles supersede the existing articles
11 and all amendments.

12 § 407. AMENDMENT OR RESTATEMENT OF ARTICLES OF
13 ORGANIZATION; FILING

14 (a) To amend its articles of organization, a limited cooperative association
15 must deliver to the secretary of state for filing an amendment of the articles, or
16 restated articles of organization or articles of conversion or merger pursuant to
17 Article 16 of this title, which contain one or more amendments of the articles
18 of organization, stating:

19 (1) the name of the association;

20 (2) the date of filing of the association's initial articles; and

1 (3) the changes the amendment makes to the articles as most recently
2 amended or restated.

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

7 (1) cause the articles to be amended; or

8 (2) if appropriate, deliver an amendment to the secretary of state for
9 filing pursuant to section 203 of this title.

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

13 (d) Upon filing, an amendment of the articles of organization or other
14 record containing an amendment of the articles which has been properly
15 adopted by the members is effective as provided in subsection 203(c) of this
16 title.

17 Article 5. Members

18 § 501. MEMBERS

19 To begin business, a limited cooperative association must have at least
20 [two] patron members unless the sole member is a cooperative.

1 § 502. BECOMING A MEMBER

2 A person becomes a member:

3 (1) as provided in the organic rules;

4 (2) as the result of a merger or conversion under Article 16 of this title;

5 or

6 (3) with the consent of all the members.

7 § 503. NO POWER AS MEMBER TO BIND ASSOCIATION

8 A member, solely by reason of being a member, may not act for or bind the
9 limited cooperative association.

10 § 504. NO LIABILITY AS MEMBER FOR ASSOCIATION'S

11 OBLIGATIONS

12 Unless the articles of organization otherwise provide, a debt, obligation, or
13 other liability of a limited cooperative association is solely that of the
14 association and is not the debt, obligation, or liability of a member solely by
15 reason of being a member.

16 § 505. RIGHT OF MEMBER AND FORMER MEMBER TO

17 INFORMATION

18 (a) Not later than 10 business days after receipt of a demand made in a
19 record, a limited cooperative association shall permit a member to obtain,
20 inspect, and copy in the association's principal office required information
21 listed in subdivisions 114(a)(1) through (8) of this title during regular business

1 hours. A member need not have any particular purpose for seeking the
2 information. The association is not required to provide the same information
3 listed in subdivisions 114(a)(2) through (8) of this title to the same member
4 more than once during a six-month period.

5 (b) On demand made in a record received by the limited cooperative
6 association, a member may obtain, inspect, and copy in the association's
7 principal office required information listed in subdivisions 114(a)(9), (10),
8 (12), (13), (16), and (18) of this title during regular business hours, if:

9 (1) the member seeks the information in good faith and for a proper
10 purpose reasonably related to the member's interest;

11 (2) the demand includes a description with reasonable particularity of
12 the information sought and the purpose for seeking the information;

13 (3) the information sought is directly connected to the member's
14 purpose; and

15 (4) the demand is reasonable.

16 (c) Not later than 10 business days after receipt of a demand pursuant to
17 subsection (b) of this section, a limited cooperative association shall provide,
18 in a record, the following information to the member that made the demand:

19 (1) if the association agrees to provide the demanded information:

20 (A) what information the association will provide in response to the
21 demand; and

1 (B) a reasonable time and place at which the association will provide
2 the information; or

3 (2) if the association declines to provide some or all of the demanded
4 information, the association's reasons for declining.

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

10 (1) the information pertains to the period during which the person was a
11 member in the association; and

12 (2) the person seeks the information in good faith.

13 (e) A limited cooperative association shall respond to a demand made
14 pursuant to subsection (d) of this section in the manner provided in subsection
15 (c) of this section.

16 (f) Not later than 10 business days after receipt by a limited cooperative
17 association of a demand made by a member in a record, but not more often
18 than once in a six-month period, the association shall deliver to the member a
19 record stating the information with respect to the member required by
20 subdivision 114(a)(17) of this title.

1 (g) A limited cooperative association may impose reasonable restrictions,
2 including nondisclosure restrictions, on the use of information obtained under
3 this section. In a dispute concerning the reasonableness of a restriction under
4 this subsection, the association has the burden of proving reasonableness.

5 (h) A limited cooperative association may charge a person that makes a
6 demand under this section reasonable costs of copying, limited to the costs of
7 labor and material.

8 (i) A person that may obtain information under this section may obtain the
9 information through an attorney or other agent. A restriction imposed on the
10 person under subsection (g) of this section or by the organic rules applies to the
11 attorney or other agent.

12 (j) The rights stated in this section do not extend to a person as transferee.

13 (k) The organic rules may require a limited cooperative association to
14 provide more information than required by this section and may establish
15 conditions and procedures for providing the information.

16 § 506. ANNUAL MEETING OF MEMBERS

17 (a) Members shall meet annually at a time provided in the organic rules or
18 set by the board of directors not inconsistent with the organic rules.

19 (b) An annual members meeting may be held inside or outside this state at
20 the place stated in the organic rules or selected by the board of directors not
21 inconsistent with the organic rules.

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

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

8 (e) Unless the organic rules otherwise provide, the board of directors shall
9 designate the presiding officer of the association's annual members meeting.

10 (f) Failure to hold an annual members meeting does not affect the validity
11 of any action by the limited cooperative association.

12 § 507. SPECIAL MEETING OF MEMBERS

13 (a) A special meeting of members may be called only:

14 (1) as provided in the organic rules;

15 (2) by a majority vote of the board of directors on a proposal stating the
16 purpose of the meeting;

17 (3) by demand in a record signed by members holding at least 20
18 percent of the voting power of the persons in any district or class entitled to
19 vote on the matter that is the purpose of the meeting stated in the demand; or

1 (4) by demand in a record signed by members holding at least 10
2 percent of the total voting power of all the persons entitled to vote on the
3 matter that is the purpose of the meeting stated in the demand.

4 (b) A demand under subdivision (a)(3) or (4) of this section must be
5 submitted to the officer of the limited cooperative association charged with
6 keeping its records.

7 (c) Any voting member may withdraw its demand under subdivision (a)(3)
8 or (4) of this section before receipt by the limited cooperative association of
9 demands sufficient to require a special meeting of members.

10 (d) A special meeting of members may be held inside or outside this state
11 at the place stated in the organic rules or selected by the board of directors not
12 inconsistent with the organic rules.

13 (e) Unless the organic rules otherwise provide, members may attend or
14 conduct a special meeting of members through the use of any means of
15 communication if all members attending the meeting can communicate with
16 each other during the meeting.

17 (f) Only business within the purpose or purposes stated in the notice of a
18 special meeting of members may be conducted at the meeting.

19 (g) Unless the organic rules otherwise provide, the presiding officer of a
20 special meeting of members shall be designated by the board of directors.

1 § 508. NOTICE OF MEMBERS MEETING

2 (a) A limited cooperative association shall notify each member of the time,
3 date, and place of a members meeting [at least 15 and not more than 60] days
4 before the meeting.

5 (b) Unless the articles of organization otherwise provide, notice of an
6 annual members meeting need not include any purpose of the meeting.

7 (c) Notice of a special meeting of members must include each purpose of
8 the meeting as contained in the demand under subdivision 507(a)(3) or (4) of
9 this title or as voted upon by the board of directors under subdivision 507(a)(2)
10 of this title.

11 (d) Notice of a members meeting must be given in a record unless oral
12 notice is reasonable under the circumstances.

13 § 509. WAIVER OF MEMBERS MEETING NOTICE

14 (a) A member may waive notice of a members meeting before, during, or
15 after the meeting.

16 (b) A member's participation in a members meeting is a waiver of notice of
17 that meeting unless the member objects to the meeting at the beginning of the
18 meeting or promptly upon the member's arrival at the meeting and does not
19 thereafter vote for or assent to action taken at the meeting.

1 § 510. QUORUM OF MEMBERS

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

5 § 511. VOTING BY PATRON MEMBERS

6 Except as provided by subsection 512(a) of this title, each patron member
7 has one vote. The organic rules may allocate voting power among patron
8 members as provided in subsection 512(a) of this title.

9 § 512. DETERMINATION OF VOTING POWER OF PATRON MEMBER

10 (a) The organic rules may allocate voting power among patron members on
11 the basis of one or a combination of the following:

12 (1) one member, one vote;

13 (2) use or patronage;

14 (3) equity; or

15 (4) if a patron member is a cooperative, the number of its patron
16 members.

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

19 § 513. VOTING BY INVESTOR MEMBERS

20 If the organic rules provide for investor members, each investor member
21 has one vote, unless the organic rules otherwise provide. The organic rules

1 may provide for the allocation of investor member voting power by class,
2 classes, or any combination of classes.

3 § 514. VOTING REQUIREMENTS FOR MEMBERS

4 If a limited cooperative association has both patron and investor members,
5 the following rules apply:

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

8 (2) action on any matter is approved only upon the affirmative vote of at
9 least a majority of:

10 (A) all members voting at the meeting unless more than a majority is
11 required by Articles 4, 12, 15, and 16 of this title or the organic rules; and

12 (B) votes cast by patron members unless the organic rules require a
13 larger affirmative vote by patron members.

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

16 § 515. MANNER OF VOTING

17 (a) Unless the organic rules otherwise provide, voting by a proxy at a
18 members meeting is prohibited. This subsection does not prohibit delegate
19 voting based on district or class.

1 (b) If voting by a proxy is permitted, a patron member may appoint only
2 another patron member as a proxy and, if investor members are permitted, an
3 investor member may appoint only another investor member as a proxy.

4 (c) The organic rules may provide for the manner of and provisions
5 governing the appointment of a proxy.

6 (d) The organic rules may provide for voting on any question by ballot
7 delivered by mail or voting by other means on questions that are subject to
8 vote by members.

9 § 516. ACTION WITHOUT A MEETING

10 (a) Unless the organic rules require that action be taken only at a members
11 meeting, any action that may be taken by the members may be taken without a
12 meeting if each member entitled to vote on the action consents in a record to
13 the action.

14 (b) Consent under subsection (a) of this section may be withdrawn by a
15 member in a record at any time before the limited cooperative association
16 receives a consent from each member entitled to vote.

17 (c) Consent to any action may specify the effective date or time of the
18 action.

19 § 517. DISTRICTS AND DELEGATES; CLASSES OF MEMBERS

20 (a) The organic rules may provide for the formation of geographic districts
21 of patron members and:

1 (1) for the conduct of patron member meetings by districts and the
2 election of directors at the meetings; or

3 (2) that districts may elect district delegates to represent and vote for the
4 district at members meetings.

5 (b) A delegate elected under subdivision (a)(2) of this section has one vote
6 unless voting power is otherwise allocated by the organic rules.

7 (c) The organic rules may provide for the establishment of classes of
8 members, for the preferences, rights, and limitations of the classes, and:

9 (1) for the conduct of members meetings by classes and the election of
10 directors at the meetings; or

11 (2) that classes may elect class delegates to represent and vote for the
12 class in members meetings.

13 (d) A delegate elected under subdivision (c)(2) of this section has one vote
14 unless voting power is otherwise allocated by the organic rules.

15 Article 6. Member's Interest in Limited Cooperative Association

16 § 601. MEMBER'S INTEREST

17 A member's interest:

18 (1) is personal property;

19 (2) consists of:

20 (A) governance rights;

21 (B) financial rights; and

1 (C) the right or obligation, if any, to do business with the limited
2 cooperative association; and

3 (3) may be in certificated or uncertificated form.

4 § 602. PATRON AND INVESTOR MEMBERS' INTERESTS

5 (a) Unless the organic rules establish investor members' interests, a
6 member's interest is a patron member's interest.

7 (b) Unless the organic rules otherwise provide, if a limited cooperative
8 association has investor members, while a person is a member of the
9 association, the person:

10 (1) if admitted as a patron member, remains a patron member;

11 (2) if admitted as an investor member, remains an investor member; and

12 (3) if admitted as a patron member and investor member remains a
13 patron and investor member if not dissociated in one of the capacities.

14 § 603. TRANSFERABILITY OF MEMBER'S INTEREST

15 (a) The provisions relating to the transferability of a member's interest are
16 subject to Title 9A.

17 (b) Unless the organic rules otherwise provide, a member's interest other
18 than financial rights is not transferable.

19 (c) Unless a transfer is restricted or prohibited by the organic rules, a
20 member may transfer its financial rights in the limited cooperative association.

1 (d) The terms of any restriction on transferability of financial rights must
2 be:

3 (1) set forth in the organic rules and the member records of the
4 association; and

5 (2) conspicuously noted on any certificates evidencing a member's
6 interest.

7 (e) A transferee of a member's financial rights, to the extent the rights are
8 transferred, has the right to share in the allocation of profits or losses and to
9 receive the distributions to the member transferring the interest to the same
10 extent as the transferring member.

11 (f) A transferee of a member's financial rights does not become a member
12 upon transfer of the rights unless the transferee is admitted as a member by the
13 limited cooperative association.

14 (g) A limited cooperative association need not give effect to a transfer
15 under this section until the association has notice of the transfer.

16 (h) A transfer of a member's financial rights in violation of a restriction on
17 transfer contained in the organic rules is ineffective as to a person having
18 notice of the restriction at the time of transfer.

19 § 604. SECURITY INTEREST AND SET-OFF

20 (a) A member or transferee may create an enforceable security interest in
21 its financial rights in a limited cooperative association.

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

4 (c) The organic rules may provide that a limited cooperative association
5 has a security interest in the financial rights of a member to secure payment of
6 any indebtedness or other obligation of the member to the association. A
7 security interest provided for in the organic rules is enforceable under, and
8 governed by, Article 9 of Title 9A.

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

12 § 605. CHARGING ORDERS FOR JUDGMENT CREDITOR OF MEMBER
13 OR TRANSFEREE

14 (a) On application by a judgment creditor of a member or transferee, a
15 court may enter a charging order against the financial rights of the judgment
16 debtor for the unsatisfied amount of the judgment. A charging order issued
17 under this subsection constitutes a lien on the judgment debtor's financial
18 rights and requires the limited cooperative association to pay over to the
19 creditor or receiver, to the extent necessary to satisfy the judgment, any
20 distribution that would otherwise be paid to the judgment debtor.

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

3 (1) appoint a receiver of the share of the distributions due or to become
4 due to the judgment debtor under the judgment debtor's financial rights, with
5 the power to make all inquiries the judgment debtor might have made; and

6 (2) make all other orders that the circumstances of the case may require
7 to give effect to the charging order.

8 (c) Upon a showing that distributions under a charging order will not pay
9 the judgment debt within a reasonable time, the court may foreclose the lien
10 and order the sale of the financial rights. The purchaser at the foreclosure sale
11 obtains only the financial rights that are subject to the charging order, does not
12 thereby become a member, and is subject to section 603 of this title.

13 (d) At any time before a sale pursuant to a foreclosure, a member or
14 transferee whose financial rights are subject to a charging order under
15 subsection (a) of this section may extinguish the charging order by satisfying
16 the judgment and filing a certified copy of the satisfaction with the court that
17 issued the charging order.

18 (e) At any time before sale pursuant to a foreclosure, the limited
19 cooperative association or one or more members whose financial rights are not
20 subject to the charging order may pay to the judgment creditor the full amount
21 due under the judgment and succeed to the rights of the judgment creditor.

1 including the charging order. Unless the organic rules otherwise provide, the
2 association may act under this subsection only with the consent of all members
3 whose financial rights are not subject to the charging order.

4 (f) This title does not deprive any member or transferee of the benefit of
5 any exemption laws applicable to the member's or transferee's financial rights.

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

9 Article 7. Marketing Contracts

10 § 701. AUTHORITY

11 In this article, "marketing contract" means a contract between a limited
12 cooperative association and another person, that need not be a patron member:

13 (1) requiring the other person to sell, or deliver for sale or marketing on
14 the person's behalf, a specified part of the person's products, commodities, or
15 goods exclusively to or through the association or any facilities furnished by
16 the association; or

17 (2) authorizing the association to act for the person in any manner with
18 respect to the products, commodities, or goods.

19 § 702. MARKETING CONTRACTS

20 (a) If a marketing contract provides for the sale of products, commodities,
21 or goods to a limited cooperative association, the sale transfers title to the

1 association upon delivery or at any other specific time expressly provided by
2 the contract.

3 (b) A marketing contract may:

4 (1) authorize a limited cooperative association to create an enforceable
5 security interest in the products, commodities, or goods delivered; and

6 (2) allow the association to sell the products, commodities, or goods
7 delivered and pay the sales price on a pooled or other basis after deducting
8 selling costs, processing costs, overhead, expenses, and other charges.

9 (c) Some or all of the provisions of a marketing contract between a patron
10 member and a limited cooperative association may be contained in the organic
11 rules.

12 § 703. DURATION OF MARKETING CONTRACT

13 The initial duration of a marketing contract may not exceed 10 years, but
14 the contract may be self-renewing for additional periods not exceeding five
15 years each. Unless the contract provides for another manner or time for
16 termination, either party may terminate the contract by giving notice in a
17 record at least 90 days before the end of the current term.

18 § 704. REMEDIES FOR BREACH OF CONTRACT

19 (a) Damages to be paid to a limited cooperative association for breach or
20 anticipatory repudiation of a marketing contract may be liquidated, but only at
21 an amount or under a formula that is reasonable in light of the actual or

1 anticipated harm caused by the breach or repudiation. A provision that so
2 provides is not a penalty.

3 (b) Upon a breach of a marketing contract, whether by anticipatory
4 repudiation or otherwise, a limited cooperative association may seek:

5 (1) an injunction to prevent further breach; and

6 (2) specific performance.

7 (c) The remedies in this section are in addition to any other remedies
8 available to an association under law other than this title.

9 Article 8. Directors and Officers

10 § 801. BOARD OF DIRECTORS

11 (a) A limited cooperative association must have a board of directors of at
12 least three individuals, unless the association has fewer than three members. If
13 the association has fewer than three members, the number of directors may not
14 be fewer than the number of members.

15 (b) The affairs of a limited cooperative association must be managed by, or
16 under the direction of, the board of directors. The board may adopt policies
17 and procedures that do not conflict with the organic rules or this title.

18 (c) An individual is not an agent for a limited cooperative association
19 solely by being a director.

1 § 802. NO LIABILITY AS DIRECTOR FOR LIMITED COOPERATIVE

2 ASSOCIATION'S OBLIGATIONS

3 A debt, obligation, or other liability of a limited cooperative association is
4 solely that of the association and is not a debt, obligation, or liability of a
5 director solely by reason of being a director. An individual is not personally
6 liable, directly or indirectly, for an obligation of an association solely by
7 reason of being a director.

8 § 803. QUALIFICATIONS OF DIRECTORS

9 (a) Unless the organic rules otherwise provide, and subject to subsection (c)
10 of this section, each director of a limited cooperative association must be an
11 individual who is a member of the association or an individual who is
12 designated by a member that is not an individual for purposes of qualifying and
13 serving as a director. Initial directors need not be members.

14 (b) Unless the organic rules otherwise provide, a director may be an officer
15 or employee of the limited cooperative association.

16 (c) If the organic rules provide for nonmember directors, the number of
17 nonmember directors may not exceed:

18 (1) one, if there are two through four directors;

19 (2) two, if there are five through eight directors; or

20 (3) one-third of the total number of directors if there are at least nine
21 directors.

1 (d) The organic rules may provide qualifications for directors in addition to
2 those in this section.

3 § 804. ELECTION OF DIRECTORS AND COMPOSITION OF BOARD

4 (a) Unless the organic rules require a greater number:

5 (1) the number of directors that must be patron members may not be
6 fewer than:

7 (A) one, if there are two or three directors;

8 (B) two, if there are four or five directors;

9 (C) three, if there are six through eight directors; or

10 (D) one-third of the directors if there are at least nine directors; and

11 (2) a majority of the board of directors must be elected exclusively by
12 patron members.

13 (b) Unless the organic rules otherwise provide, if a limited cooperative
14 association has investor members, the directors who are not elected exclusively
15 by patron members are elected by the investor members.

16 (c) Subject to subsection (a) of this section, the organic rules may provide
17 for the election of all or a specified number of directors by one or more
18 districts or classes of members.

19 (d) Subject to subsection (a) of this section, the organic rules may provide
20 for the nomination or election of directors by districts or classes, directly or by
21 district delegates.

1 (e) If a class of members consists of a single member, the organic rules
2 may provide for the member to appoint a director or directors.

3 (f) Unless the organic rules otherwise provide, cumulative voting for
4 directors is prohibited.

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

8 § 805. TERM OF DIRECTOR

9 (a) Unless the organic rules otherwise provide, and subject to subsections
10 (c) and (d) of this section and subsection 303(c) of this title, the term of a
11 director expires at the annual members meeting following the director's
12 election or appointment. The term of a director may not exceed three years.

13 (b) Unless the organic rules otherwise provide, a director may be reelected.

14 (c) Except as otherwise provided in subsection (d) of this section, a director
15 continues to serve until a successor director is elected or appointed and
16 qualifies or the director is removed, resigns, is adjudged incompetent, or dies.

17 (d) Unless the organic rules otherwise provide, a director does not serve the
18 remainder of the director's term if the director ceases to qualify to be a
19 director.

1 § 806. RESIGNATION OF DIRECTOR

2 A director may resign at any time by giving notice in a record to the limited
3 cooperative association. Unless the notice states a later effective date, a
4 resignation is effective when the notice is received by the association.

5 § 807. REMOVAL OF DIRECTOR

6 Unless the organic rules otherwise provide, the following rules apply:

7 (1) Members may remove a director with or without cause.

8 (2) A member or members holding at least 10 percent of the total voting
9 power entitled to be voted in the election of a director may demand removal of
10 the director by one or more signed petitions submitted to the officer of the
11 limited cooperative association charged with keeping its records.

12 (3) Upon receipt of a petition for removal of a director, an officer of the
13 association or the board of directors shall:

14 (A) call a special meeting of members to be held not later than 90
15 days after receipt of the petition by the association; and

16 (B) mail or otherwise transmit or deliver in a record to the members
17 entitled to vote on the removal, and to the director to be removed, notice of the
18 meeting which complies with section 508 of this title.

19 (4) A director is removed if the votes in favor of removal are equal to or
20 greater than the votes required to elect the director.

1 § 808. SUSPENSION OF DIRECTOR BY BOARD

2 (a) A board of directors may suspend a director if, considering the
3 director's course of conduct and the inadequacy of other available remedies,
4 immediate suspension is necessary for the best interests of the association and
5 the director is engaging, or has engaged, in:

6 (1) fraudulent conduct with respect to the association or its members;

7 (2) gross abuse of the position of director;

8 (3) intentional or reckless infliction of harm on the association; or

9 (4) any other behavior, act, or omission as provided by the organic rules.

10 (b) A suspension under subsection (a) is effective for 30 days unless the
11 board of directors calls and gives notice of a special meeting of members for
12 removal of the director before the end of the 30-day period in which case the
13 suspension is effective until adjournment of the meeting or the director is
14 removed.

15 § 809. VACANCY ON BOARD

16 (a) Unless the organic rules otherwise provide, a vacancy on the board of
17 directors must be filled:

18 (1) within a reasonable time by majority vote of the remaining directors
19 until the next annual members meeting or a special meeting of members called
20 to fill the vacancy; and

1 (2) for the unexpired term by members at the next annual members
2 meeting or a special meeting of members called to fill the vacancy.

3 (b) Unless the organic rules otherwise provide, if a vacating director was
4 elected or appointed by a class of members or a district:

5 (1) the new director must be of that class or district; and

6 (2) the selection of the director for the unexpired term must be
7 conducted in the same manner as would the selection for that position without
8 a vacancy.

9 (c) If a member appointed a vacating director, the organic rules may
10 provide for that member to appoint a director to fill the vacancy.

11 § 810. REMUNERATION OF DIRECTORS

12 Unless the organic rules otherwise provide, the board of directors may set
13 the remuneration of directors and of nondirector committee members
14 appointed under subsection 817(a) of this title.

15 § 811. MEETINGS

16 (a) A board of directors shall meet at least annually and may hold meetings
17 inside or outside this state.

18 (b) Unless the organic rules otherwise provide, a board of directors may
19 permit directors to attend or conduct board meetings through the use of any
20 means of communication, if all directors attending the meeting can
21 communicate with each other during the meeting.

1 § 812. ACTION WITHOUT MEETING

2 (a) Unless prohibited by the organic rules, any action that may be taken by
3 a board of directors may be taken without a meeting if each director consents
4 in a record to the action.

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

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

10 § 813. MEETINGS AND NOTICE

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

1 § 814. WAIVER OF NOTICE OF MEETING

2 (a) Unless the organic rules otherwise provide, a director may waive any
3 required notice of a meeting of the board of directors in a record before,
4 during, or after the meeting.

5 (b) Unless the organic rules otherwise provide, a director's participation in
6 a meeting is a waiver of notice of that meeting unless:

7 (1) the director objects to the meeting at the beginning of the meeting or
8 promptly upon the director's arrival at the meeting and does not thereafter vote
9 in favor of or otherwise assent to the action taken at the meeting; or

10 (2) the director promptly objects upon the introduction of any matter for
11 which notice under section 813 of this title has not been given and does not
12 thereafter vote in favor of or otherwise assent to the action taken on the matter.

13 § 815. QUORUM

14 (a) Unless the articles of organization provide for a greater number, a
15 majority of the total number of directors specified by the organic rules
16 constitutes a quorum for a meeting of the directors.

17 (b) If a quorum of the board of directors is present at the beginning of a
18 meeting, any action taken by the directors present is valid even if withdrawal
19 of directors originally present results in the number of directors being fewer
20 than the number required for a quorum.

1 (c) A director present at a meeting but objecting to notice under subdivision
2 814(b)(1) or (2) of this title does not count toward a quorum.

3 § 816. VOTING

4 (a) Each director shall have one vote for purposes of decisions made by the
5 board of directors.

6 (b) Unless the organic rules otherwise provide, the affirmative vote of a
7 majority of directors present at a meeting is required for action by the board of
8 directors.

9 § 817. COMMITTEES

10 (a) Unless the organic rules otherwise provide, a board of directors may
11 create one or more committees and appoint one or more individuals to serve on
12 a committee.

13 (b) Unless the organic rules otherwise provide, an individual appointed to
14 serve on a committee of a limited cooperative association need not be a
15 director or member.

16 (c) An individual who is not a director and is serving on a committee has
17 the same rights, duties, and obligations as a director serving on the committee.

18 (d) Unless the organic rules otherwise provide, each committee of a limited
19 cooperative association may exercise the powers delegated to it by the board of
20 directors, but a committee may not:

1 (1) approve allocations or distributions except according to a formula or
2 method prescribed by the board of directors;

3 (2) approve or propose to members action requiring approval of
4 members; or

5 (3) fill vacancies on the board of directors or any of its committees.

6 § 818. STANDARDS OF CONDUCT AND LIABILITY

7 Except as otherwise provided in section 820 of this title:

8 (1) the discharge of the duties of a director or member of a committee of
9 the board of directors is governed by the law applicable to directors of entities
10 organized under Title 11A; and

11 (2) the liability of a director or member of a committee of the board of
12 directors is governed by the law applicable to directors of entities organized
13 under Title 11A.

14 § 819. CONFLICT OF INTEREST

15 (a) The law applicable to conflicts of interest between a director of an
16 entity organized under Title 11A governs conflicts of interest between a
17 limited cooperative association and a director or member of a committee of the
18 board of directors.

19 (b) A director does not have a conflict of interest under this title or the
20 organic rules solely because the director's conduct relating to the duties of the
21 director may further the director's own interest.

1 § 820. OTHER CONSIDERATIONS OF DIRECTORS

2 Unless the articles of organization otherwise provide, in considering the
3 best interests of a limited cooperative association, a director of the association
4 in discharging the duties of director, in conjunction with considering the long
5 and short term interest of the association and its patron members, may
6 consider:

7 (1) the interest of employees, customers, and suppliers of the
8 association;

9 (2) the interest of the community in which the association operates; and

10 (3) other cooperative principles and values that may be applied in the
11 context of the decision.

12 § 821. RIGHT OF DIRECTOR OR COMMITTEE MEMBER TO
13 INFORMATION

14 A director or a member of a committee appointed under section 817 of this
15 title may obtain, inspect, and copy all information regarding the state of
16 activities and financial condition of the limited cooperative association and
17 other information regarding the activities of the association if the information
18 is reasonably related to the performance of the director's duties as director or
19 the committee member's duties as a member of the committee. Information
20 obtained in accordance with this section may not be used in any manner that
21 would violate any duty of or to the association.

1 § 822. APPOINTMENT AND AUTHORITY OF OFFICERS

2 (a) A limited cooperative association has the officers:

3 (1) provided in the organic rules; or

4 (2) established by the board of directors in a manner not inconsistent
5 with the organic rules.

6 (b) The organic rules may designate or, if the rules do not designate, the
7 board of directors shall designate, one of the association's officers for
8 preparing all records required by section 114 of this title and for the
9 authentication of records.

10 (c) Unless the organic rules otherwise provide, the board of directors shall
11 appoint the officers of the limited cooperative association.

12 (d) Officers of a limited cooperative association shall perform the duties
13 the organic rules prescribe or as authorized by the board of directors not in a
14 manner inconsistent with the organic rules.

15 (e) The election or appointment of an officer of a limited cooperative
16 association does not of itself create a contract between the association and the
17 officer.

18 (f) Unless the organic rules otherwise provide, an individual may
19 simultaneously hold more than one office in a limited cooperative association.

1 § 823. RESIGNATION AND REMOVAL OF OFFICERS

2 (a) The board of directors may remove an officer at any time with or
3 without cause.

4 (b) An officer of a limited cooperative association may resign at any time
5 by giving notice in a record to the association. Unless the notice specifies a
6 later time, the resignation is effective when the notice is given.

7 Article 9. Indemnification

8 § 901. INDEMNIFICATION

9 (a) Indemnification of an individual who has incurred liability or is a party,
10 or is threatened to be made a party, to litigation because of the performance of
11 a duty to, or activity on behalf of, a limited cooperative association is governed
12 by Title 11A.

13 (b) A limited cooperative association may purchase and maintain insurance
14 on behalf of any individual against liability asserted against or incurred by the
15 individual to the same extent and subject to the same conditions as provided by
16 Title 11A.

17 Article 10. Contributions, Allocations, and Distributions

18 § 1001. MEMBERS' CONTRIBUTIONS

19 The organic rules must establish the amount, manner, or method of
20 determining any contribution requirements for members or must authorize the

1 board of directors to establish the amount, manner, or other method of
2 determining any contribution requirements for members.

3 § 1002. CONTRIBUTION AND VALUATION

4 (a) Unless the organic rules otherwise provide, the contributions of a
5 member to a limited cooperative association may consist of tangible or
6 intangible property or other benefit to the association, including money, labor
7 or other services performed or to be performed, promissory notes, other
8 agreements to contribute money or property, and contracts to be performed.

9 (b) The receipt and acceptance of contributions and the valuation of
10 contributions must be reflected in a limited cooperative association's records.

11 (c) Unless the organic rules otherwise provide, the board of directors shall
12 determine the value of a member's contributions received or to be received and
13 the determination by the board of directors of valuation is conclusive for
14 purposes of determining whether the member's contribution obligation has
15 been met.

16 § 1003. CONTRIBUTION AGREEMENTS

17 (a) Except as otherwise provided in the agreement, the following rules
18 apply to an agreement made by a person before formation of a limited
19 cooperative association to make a contribution to the association:

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

4 (2) If a person does not make a required contribution:

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

9 (B) the association, once formed, may rescind the agreement if the
10 debt remains unpaid more than 20 days after the association demands payment
11 from the person, and upon rescission the person has no further rights or
12 obligations with respect to the association.

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

18 § 1004. ALLOCATIONS OF PROFITS AND LOSSES

19 (a) The organic rules may provide for allocating profits of a limited
20 cooperative association among members, among persons that are not members
21 but conduct business with the association, to an unallocated account, or to any

1 combination thereof. Unless the organic rules otherwise provide, losses of the
2 association must be allocated in the same proportion as profits.

3 (b) Unless the organic rules otherwise provide, all profits and losses of a
4 limited cooperative association must be allocated to patron members.

5 (c) If a limited cooperative association has investor members, the organic
6 rules may not reduce the allocation to patron members to less than 50 percent
7 of profits. For purposes of this subsection, the following rules apply:

8 (1) amounts paid or due on contracts for the delivery to the association
9 by patron members of products, goods, or services are not considered amounts
10 allocated to patron members.

11 (2) amounts paid, due, or allocated to investor members as a stated fixed
12 return on equity are not considered amounts allocated to investor members.

13 (d) Unless prohibited by the organic rules, in determining the profits for
14 allocation under subsections (a), (b), and (c) of this section, the board of
15 directors may first deduct and set aside a part of the profits to create or
16 accumulate:

17 (1) an unallocated capital reserve; and

18 (2) reasonable unallocated reserves for specific purposes, including
19 expansion and replacement of capital assets; education, training, cooperative
20 development; creation and distribution of information concerning principles of
21 cooperation; and community responsibility.

1 (e) Subject to subsections (b) and (f) of this section and the organic rules,
2 the board of directors shall allocate the amount remaining after any deduction
3 or setting aside of profits for unallocated reserves under subsection (d) of this
4 section:

5 (1) to patron members in the ratio of each member's patronage to the
6 total patronage of all patron members during the period for which allocations
7 are to be made; and

8 (2) to investor members, if any, in the ratio of each investor member's
9 contributions to the total contributions of all investor members.

10 (f) For purposes of allocation of profits and losses or specific items of
11 profits or losses of a limited cooperative association to members, the organic
12 rules may establish allocation units or methods based on separate classes of
13 members or, for patron members, on class, function, division, district,
14 department, allocation units, pooling arrangements, members' contributions, or
15 other equitable methods.

16 § 1005. DISTRIBUTIONS

17 (a) Unless the organic rules otherwise provide and subject to section 1007
18 of this title, the board of directors may authorize, and the limited cooperative
19 association may make, distributions to members.

20 (b) Unless the organic rules otherwise provide, distributions to members
21 may be made in any form, including money, capital credits, allocated

1 patronage equities, revolving fund certificates, and the limited cooperative
2 association's own or other securities.

3 § 1006. REDEMPTION OR REPURCHASE

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

10 § 1007. LIMITATIONS ON DISTRIBUTIONS

11 (a) A limited cooperative association may not make a distribution if, after
12 the distribution:

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

15 (2) the association's assets would be less than the sum of its total
16 liabilities.

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

1 (c) Except as otherwise provided in subsection (d) of this section, the effect
2 of a distribution allowed under subsection (b) of this section is measured:

3 (1) in the case of distribution by purchase, redemption, or other
4 acquisition of financial rights in the limited cooperative association, as of the
5 date money or other property is transferred or debt is incurred by the
6 association; and

7 (2) in all other cases, as of the date:

8 (A) the distribution is authorized, if the payment occurs not later than
9 120 days after that date; or

10 (B) the payment is made, if payment occurs more than 120 days after
11 the distribution is authorized.

12 (d) If indebtedness is issued as a distribution, each payment of principal or
13 interest on the indebtedness is treated as a distribution, the effect of which is
14 measured on the date the payment is made.

15 (e) For purposes of this section, “distribution” does not include reasonable
16 amounts paid to a member in the ordinary course of business as payment or
17 compensation for commodities, goods, past or present services, or reasonable
18 payments made in the ordinary course of business under a bona fide retirement
19 or other benefits program.

1 § 1008. LIABILITY FOR IMPROPER DISTRIBUTIONS; LIMITATION OF
2 ACTION

3 (a) A director who consents to a distribution that violates section 1007 of
4 this title is personally liable to the limited cooperative association for the
5 amount of the distribution which exceeds the amount that could have been
6 distributed without the violation if it is established that in consenting to the
7 distribution the director failed to comply with section 818 or 819 of this title.

8 (b) A member or transferee of financial rights which received a distribution
9 knowing that the distribution was made in violation of section 1007 of this title
10 is personally liable to the limited cooperative association to the extent the
11 distribution exceeded the amount that could have been properly paid.

12 (c) A director against whom an action is commenced under subsection (a)
13 of this section may:

14 (1) implead in the action any other director who is liable under
15 subsection (a) of this section and compel contribution from the person; and

16 (2) implead in the action any person that is liable under subsection (b)
17 this section and compel contribution from the person in the amount the person
18 received as described in subsection (b) of this section.

19 (d) An action under this section is barred if it is commenced later than two
20 years after the distribution.

1 Article 11. Dissociation

2 § 1101. MEMBER'S DISSOCIATION

3 (a) A person has the power to dissociate as a member at any time, rightfully
4 or wrongfully, by express will.

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

7 (1) breaches an express provision of the organic rules; or

8 (2) occurs before the termination of the limited cooperative association

9 and:

10 (A) the person is expelled as a member under subdivision (d)(3) or
11 (4) of this section; or

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

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

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

1 (1) the association receives notice in a record of the member's express
2 will to dissociate as a member, or if the member specifies in the notice an
3 effective date later than the date the association received notice, on that later
4 date;

5 (2) an event stated in the organic rules as causing the member's
6 dissociation as a member occurs;

7 (3) the member is expelled as a member under the organic rules;

8 (4) the member is expelled as a member by the board of directors

9 because:

10 (A) it is unlawful to carry on the association's activities with the
11 member as a member;

12 (B) there has been a transfer of all the member's financial rights in
13 the association, other than:

14 (i) a creation or perfection of a security interest; or

15 (ii) a charging order in effect under section 5605 of this title which
16 has not been foreclosed;

17 (C) the member is a limited liability company, association, or
18 partnership, which has been dissolved, and its business is being wound up; or

19 (D) the member is a corporation or cooperative and:

1 (i) the member filed a certificate of dissolution or the equivalent,
2 or the jurisdiction of formation revoked the association's charter or right to
3 conduct business;

4 (ii) the association sends a notice to the member that it will be
5 expelled as a member for a reason described in subdivision (4)(D)(i) of this
6 subsection; and

7 (iii) not later than 90 days after the notice was sent under
8 subdivision (4)(D)(ii) of this subsection, the member did not revoke its
9 certificate of dissolution or the equivalent, or the jurisdiction of formation did
10 not reinstate the association's charter or right to conduct business; or

11 (E) the member is an individual and is adjudged incompetent;

12 (5) in the case of a member who is an individual, the individual dies;

13 (6) in the case of a member that is a trust or is acting as a member by
14 virtue of being a trustee of a trust, all the trust's financial rights in the
15 association are distributed;

16 (7) in the case of a member that is an estate, the estate's entire financial
17 interest in the association is distributed;

18 (8) in the case of a member that is not an individual, partnership, limited
19 liability company, cooperative, corporation, trust, or estate, the member is
20 terminated; or

1 (9) the association's participation in a merger if, under the plan of
2 merger as approved under Article 16 of this title, the member ceases to be a
3 member.

4 § 1102. EFFECT OF DISSOCIATION AS MEMBER

5 (a) Upon a member's dissociation:

6 (1) subject to section 1103 of this title, the person has no further rights
7 as a member; and

8 (2) subject to section 1103 of this title and Article 16 of this title, any
9 financial rights owned by the person in the person's capacity as a member
10 immediately before dissociation are owned by the person as a transferee.

11 (b) A person's dissociation as a member does not of itself discharge the
12 person from any debt, obligation, or liability to the limited cooperative
13 association which the person incurred under the organic rules, by contract, or
14 by other means while a member.

15 § 1103. POWER OF ESTATE OF MEMBER

16 Unless the organic rules provide for greater rights, if a member is
17 dissociated because of death, dies or is expelled by reason of being adjudged
18 incompetent, the member's personal representative or other legal
19 representative may exercise the rights of a transferee of the member's financial
20 rights and, for purposes of settling the estate of a deceased member, may

1 exercise the informational rights of a current member to obtain information
2 under section 505 of this title.

3 Article 12. Dissolution

4 § 1201. DISSOLUTION AND WINDING UP

5 A limited cooperative association is dissolved only as provided in this
6 article and upon dissolution winds up in accordance with this article.

7 § 1202. NONJUDICIAL DISSOLUTION

8 Except as otherwise provided in sections 1203 and 1211 of this title, a
9 limited cooperative association is dissolved and its activities must be wound
10 up:

11 (1) upon the occurrence of an event or at a time specified in the articles
12 of organization;

13 (2) upon the action of the association's organizers, board of directors, or
14 members under section 1204 or 1205 of this title; or

15 (3) 90 days after the dissociation of a member, which results in the
16 association having one patron member and no other members, unless the
17 association:

18 (A) has a sole member that is a cooperative; or

19 (B) not later than the end of the 90-day period, admits at least one
20 member in accordance with the organic rules and has at least two members, at
21 least one of which is a patron member.

1 § 1203. JUDICIAL DISSOLUTION

2 The superior court may dissolve a limited cooperative association or order
3 any action that under the circumstances is appropriate and equitable:

4 (1) in a proceeding initiated by the attorney general, if:

5 (A) the association obtained its articles of organization through fraud;

6 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, and
12 irreparable injury to the association is occurring or is threatened because of the
13 deadlock;

14 (B) the directors or those in control of the association have acted, are
15 acting, or will act in a manner that is illegal, oppressive, or fraudulent;

16 (C) the members are deadlocked in voting power and have failed to
17 elect successors to directors whose terms have expired for two consecutive
18 periods during which annual members' meetings were held or were to be held;

19 or

20 (D) the assets of the association are being misapplied or wasted.

1 § 1204. VOLUNTARY DISSOLUTION BEFORE COMMENCEMENT OF
2 ACTIVITY

3 A majority of the organizers or initial directors of a limited cooperative
4 association that has not yet begun business activity or the conduct of its affairs
5 may dissolve the association.

6 § 1205. VOLUNTARY DISSOLUTION BY THE BOARD AND MEMBERS

7 (a) Except as otherwise provided in section 1204 of this title, for a limited
8 cooperative association to voluntarily dissolve:

9 (1) a resolution to dissolve must be approved by a majority vote of the
10 board of directors unless a greater percentage is required by the organic rules;

11 (2) the board of directors must call a members meeting to consider the
12 resolution, to be held not later than 90 days after adoption of the resolution;

13 and

14 (3) the board of directors must mail or otherwise transmit or deliver to
15 each member in a record that complies with section 508 of this title:

16 (A) the resolution required by subdivision (1) of this subsection;

17 (B) a recommendation that the members vote in favor of the
18 resolution or, if the board determines that because of conflict of interest or
19 other special circumstances it should not make a favorable recommendation,
20 the basis of that determination; and

1 (C) notice of the members meeting, which must be given in the same
2 manner as notice of a special meeting of members.

3 (b) Subject to subsection (c) of this section, a resolution to dissolve must be
4 approved by:

5 (1) at least two-thirds of the voting power of members present at a
6 members meeting called under subdivision (a)(2) of this section; and

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

10 (c) The organic rules may require that the percentage of votes under
11 subdivision (b)(1) of this section is:

12 (1) a different percentage that is not less than a majority of members
13 voting at the meeting; or

14 (2) measured against the voting power of all members; or

15 (3) a combination of subdivisions (1) and (2) of this subsection.

16 § 1206. WINDING UP

17 (a) A limited cooperative association continues after dissolution only for
18 purposes of winding up its activities.

19 (b) In winding up a limited cooperative association's activities, the board of
20 directors shall cause the association to:

1 (1) discharge its liabilities, settle and close its activities, and marshal and
2 distribute its assets;

3 (2) preserve the association or its property as a going concern for no
4 more than a reasonable time;

5 (3) prosecute and defend actions and proceedings;

6 (4) transfer association property; and

7 (5) perform other necessary acts.

8 (c) After dissolution and upon application of a limited cooperative
9 association, a member, or a holder of financial rights, the superior court may
10 order judicial supervision of the winding up of the association, including the
11 appointment of a person to wind up the association's activities, if:

12 (1) after a reasonable time, the association has not wound up its
13 activities; or

14 (2) the applicant establishes other good cause.

15 (d) If a person is appointed pursuant to subsection (c) of this section to
16 wind up the activities of a limited cooperative association, the association shall
17 promptly deliver to the secretary of state for filing an amendment to the articles
18 of organization to reflect the appointment.

1 § 1207. DISTRIBUTION OF ASSETS IN WINDING UP LIMITED

2 COOPERATIVE ASSOCIATION

3 (a) In winding up a limited cooperative association's business, the
4 association shall apply its assets to discharge its obligations to creditors,
5 including members that are creditors. The association shall apply any
6 remaining assets to pay in money the net amount distributable to members in
7 accordance with their right to distributions under subsection (b) of this section.

8 (b) Unless the organic rules otherwise provide, in this subsection "financial
9 interests" means the amounts recorded in the names of members in the records
10 of a limited cooperative association at the time a distribution is made,
11 including amounts paid to become a member, amounts allocated but not
12 distributed to members, and amounts of distributions authorized but not yet
13 paid to members. Unless the organic rules otherwise provide, each member is
14 entitled to a distribution from the association of any remaining assets in the
15 proportion of the member's financial interests to the total financial interests of
16 the members after all other obligations are satisfied.

17 § 1208. KNOWN CLAIMS AGAINST DISSOLVED LIMITED

18 COOPERATIVE ASSOCIATION

19 (a) Subject to subsection (d) of this section, a dissolved limited cooperative
20 association may dispose of the known claims against it by following the
21 procedure in subsections (b) and (c) of this section.

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

3 (1) specify that a claim be in a record;

4 (2) specify the information required to be included in the claim;

5 (3) provide an address to which the claim must be sent;

6 (4) state the deadline for receipt of the claim, which may not be less than
7 120 days after the date the notice is received by the claimant; and

8 (5) state that the claim will be barred if not received by the deadline.

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

11 (1) the association is not notified of the claimant's claim, in a record, by
12 the deadline specified in the notice under subdivision (b)(4) of this section;

13 (2) in the case of a claim that is timely received but rejected by the
14 association, the claimant does not commence an action to enforce the claim
15 against the association within 90 days after receipt of the notice of the
16 rejection; or

17 (3) if a claim is timely received but is neither accepted nor rejected by
18 the association within 120 days after the deadline for receipt of claims, the
19 claimant does not commence an action to enforce the claim against the
20 association:

21 (A) after the 120-day period; and

1 (B) within 90 days after the 120-day period.

2 (d) This section does not apply to a claim based on an event occurring after
3 the date of dissolution or a liability that is contingent on that date.

4 § 1209. OTHER CLAIMS AGAINST DISSOLVED LIMITED

5 COOPERATIVE ASSOCIATION

6 (a) A dissolved limited cooperative association may publish notice of its
7 dissolution and request persons having claims against the association to present
8 them in accordance with the notice.

9 (b) A notice under subsection (a) of this section must:

10 (1) be published at least once in a newspaper of general circulation in
11 the county in which the dissolved limited cooperative association's principal
12 office is located or, if the association does not have a principal office in this
13 state, in the county in which the association's designated office is or was last
14 located;

15 (2) describe the information required to be contained in a claim and
16 provide an address to which the claim is to be sent; and

17 (3) state that a claim against the association is barred unless an action to
18 enforce the claim is commenced not later than three years after publication of
19 the notice.

20 (c) If a dissolved limited cooperative association publishes a notice in
21 accordance with subsection (b) of this section, the claim of each of the

1 following claimants is barred unless the claimant commences an action to
2 enforce the claim not later than three years after the first publication date of the
3 notice:

4 (1) a claimant that is entitled to but did not receive notice in a record
5 under section 1208 of this title; and

6 (2) a claimant whose claim is contingent or based on an event occurring
7 after the effective date of dissolution.

8 (d) A claim not barred under this section may be enforced:

9 (1) against a dissolved limited cooperative association, to the extent of
10 its undistributed assets; or

11 (2) if the association's assets have been distributed in connection with
12 winding up the association's activities against a member or holder of financial
13 rights to the extent of that person's proportionate share of the claim or the
14 association's assets distributed to the person in connection with the winding
15 up, whichever is less. The person's total liability for all claims under this
16 paragraph shall not exceed the total amount of assets distributed to the person
17 as part of the winding up of the association.

18 § 1210. COURT PROCEEDING

19 (a) Upon application by a dissolved limited cooperative association that has
20 published a notice under section 1209 of this title, the superior court in the
21 county where the association's principal office is located or, if the association

1 does not have a principal office in this state where its designated office in this
2 state is located, may determine the amount and form of security to be provided
3 for payment of claims against the association that are contingent, have not been
4 made known to the association, or are based on an event occurring after the
5 effective date of dissolution but that, based on the facts known to the
6 association, are reasonably anticipated to arise after the effective date of
7 dissolution.

8 (b) Not later than 10 days after filing an application under subsection (a) of
9 this section, a dissolved limited cooperative association shall give notice of the
10 proceeding to each known claimant holding a contingent claim.

11 (c) The court may appoint a representative in a proceeding brought under
12 this section to represent all claimants whose identities are unknown. The
13 dissolved limited cooperative association shall pay reasonable fees and
14 expenses of the representative, including all reasonable attorney's and expert
15 witness fees.

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

1 § 1211. ADMINISTRATIVE DISSOLUTION

2 (a) The secretary of state may dissolve a limited cooperative association
3 administratively if the association does not:

4 (1) pay, not later than 60 days after the due date, any fee, tax, or penalty
5 due to the secretary of state under this title; or

6 (2) deliver not later than 60 days after the due date its annual report to
7 the secretary of state.

8 (b) If the secretary of state determines that a ground exists for dissolving a
9 limited cooperative association administratively, the secretary of state shall file
10 a record of the determination and serve the association with a copy of the
11 record.

12 (c) If, not later than 60 days after service of a copy of the secretary of
13 state's determination under subsection (b) of this section, the association does
14 not correct each ground for dissolution or demonstrate to the satisfaction of the
15 secretary of state that each uncorrected ground determined by the secretary of
16 state does not exist, the secretary of state shall dissolve the association
17 administratively by preparing and filing a declaration of dissolution which
18 states the grounds for dissolution. The secretary of state shall serve the
19 association with a copy of the declaration.

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

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

6 § 1212. REINSTATEMENT FOLLOWING ADMINISTRATIVE
7 DISSOLUTION

8 (a) A limited cooperative association that has been dissolved
9 administratively may apply to the secretary of state for reinstatement not later
10 than two years after the effective date of dissolution. The application must be
11 delivered to the secretary of state for filing and state:

12 (1) the name of the association and the effective date of its
13 administrative dissolution;

14 (2) that the grounds for dissolution either did not exist or have been
15 eliminated; and

16 (3) that the association's name satisfies the requirements of section 111
17 of this title.

18 (b) If the secretary of state determines that an application contains the
19 information required by subsection (a) of this section and that the information
20 is correct, the secretary of state shall:

21 (1) prepare a declaration of reinstatement;

1 (2) file the original of the declaration; and

2 (3) serve a copy of the declaration on the association.

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

7 § 1213. DENIAL OF REINSTATEMENT; APPEAL

8 (a) If the secretary of state denies a limited cooperative association's
9 application for reinstatement following administrative dissolution, the
10 secretary of state shall prepare and file a notice that explains the reason for
11 denial and serve the association with a copy of the notice.

12 (b) Not later than 30 days after service of a notice of denial of
13 reinstatement by the secretary of state, a limited cooperative association may
14 appeal the denial by petitioning the superior court to set aside the dissolution.
15 The petition must be served on the secretary of state and contain a copy of the
16 secretary of state's declaration of dissolution, the association's application for
17 reinstatement, and the secretary of state's notice of denial.

18 (c) The court may summarily order the secretary of state to reinstate the
19 dissolved cooperative association or may take other action the court considers
20 appropriate.

1 § 1214. STATEMENT OF DISSOLUTION

2 (a) A limited cooperative association that has dissolved or is about to
3 dissolve may deliver to the secretary of state for filing a statement of
4 dissolution that states:

5 (1) the name of the association;

6 (2) the date the association dissolved or will dissolve; and

7 (3) any other information the association considers relevant.

8 (b) A person has notice of a limited cooperative association's dissolution
9 on the later of:

10 (1) 90 days after a statement of dissolution is filed; or

11 (2) the effective date stated in the statement of dissolution.

12 § 1215. STATEMENT OF TERMINATION

13 (a) A dissolved limited cooperative association that has completed winding
14 up may deliver to the secretary of state for filing a statement of termination
15 that states:

16 (1) the name of the association;

17 (2) the date of filing of its initial articles of organization; and

18 (3) that the association is terminated.

19 (b) The filing of a statement of termination does not itself terminate the
20 limited cooperative association.

1 Article 13. Action By Member

2 § 1301. DERIVATIVE ACTION

3 A member may maintain a derivative action to enforce a right of a limited
4 cooperative association if:

5 (1) the member demands that the association bring an action to enforce
6 the right; and

7 (2) any of the following occur:

8 (A) the association does not, within 90 days after the member makes
9 the demand, agree to bring the action;

10 (B) the association notifies the member that it has rejected the
11 demand;

12 (C) irreparable harm to the association would result by waiting 90
13 days after the member makes the demand; or

14 (D) the association agrees to bring an action demanded and fails to
15 bring the action within a reasonable time.

16 § 1302. PROPER PLAINTIFF

17 (a) A derivative action to enforce a right of a limited cooperative
18 association may be maintained only by a person that:

19 (1) is a member or a dissociated member at the time the action is
20 commenced and:

1 (A) was a member when the conduct giving rise to the action
2 occurred; or

3 (B) whose status as a member devolved upon the person by operation
4 of law or the organic rules from a person that was a member at the time of the
5 conduct; and

6 (2) adequately represents the interests of the association.

7 (b) If the sole plaintiff in a derivative action dies while the action is
8 pending, the court may permit another member who meets the requirements of
9 subsection (a) of this section to be substituted as plaintiff.

10 § 1303. PLEADING

11 In a derivative action to enforce a right of a limited cooperative association,
12 the complaint must state:

13 (1) the date and content of the plaintiff's demand under subdivision
14 1301(1) of this title and the association's response;

15 (2) if 90 days have not expired since the demand, how irreparable harm
16 to the association would result by waiting for the expiration of 90 days; and

17 (3) if the association agreed to bring an action demanded, that the action
18 has not been brought within a reasonable time.

19 § 1304. APPROVAL FOR DISCONTINUANCE OR SETTLEMENT

20 A derivative action to enforce a right of a limited cooperative association
21 may not be discontinued or settled without the court's approval.

1 § 1305. PROCEEDS AND EXPENSES

2 (a) Except as otherwise provided in subsection (b) of this section:

3 (1) any proceeds or other benefits of a derivative action to enforce a
4 right of a limited cooperative association, whether by judgment, compromise,
5 or settlement, belong to the association and not to the plaintiff; and

6 (2) if the plaintiff in the derivative action receives any proceeds, the
7 plaintiff shall immediately remit them to the association.

8 (b) If a derivative action to enforce a right of a limited cooperative
9 association is successful in whole or in part, the court may award the plaintiff
10 reasonable expenses, including reasonable attorney's fees and costs, from the
11 recovery of the association.

12 Article 14. Foreign Cooperatives

13 § 1401. GOVERNING LAW

14 (a) The law of the state or other jurisdiction under which a foreign
15 cooperative is organized governs relations among the members of the foreign
16 cooperative and between the members and the foreign cooperative.

17 (b) A foreign cooperative may not be denied a certificate of authority
18 because of any difference between the law of the jurisdiction under which the
19 foreign cooperative is organized and the law of this state.

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

4 § 1402. APPLICATION FOR CERTIFICATE OF AUTHORITY

5 (a) A foreign cooperative may apply for a certificate of authority by
6 delivering an application to the secretary of state for filing. The application
7 must state:

8 (1) the name of the foreign cooperative and, if the name does not
9 comply with section 111 of this title, an alternative name adopted pursuant to
10 section 1405 of this title;

11 (2) the name of the state or other jurisdiction under whose law the
12 foreign cooperative is organized;

13 (3) the street address and, if different, mailing address of the principal
14 office and, if the law of the jurisdiction under which the foreign cooperative is
15 organized requires the foreign cooperative to maintain another office in that
16 jurisdiction, the street address and, if different, mailing address of the required
17 office;

18 (4) the street address and, if different, mailing address of the foreign
19 cooperative's designated office in this state, and the name of the foreign
20 cooperative's agent for service of process at the designated office; and

1 (5) the name, street address and, if different, mailing address of each of
2 the foreign cooperative's current directors and officers.

3 (b) A foreign cooperative shall deliver with a completed application under
4 subsection (a) of this section a certificate of good standing or existence or a
5 similar record signed by the secretary of state or other official having custody
6 of the foreign cooperative's publicly filed records in the state or other
7 jurisdiction under whose law the foreign cooperative is organized.

8 § 1403. ACTIVITIES NOT CONSTITUTING TRANSACTING BUSINESS

9 (a) Activities of a foreign cooperative which do not constitute transacting
10 business in this state under this article include:

11 (1) maintaining, defending, and settling an action or proceeding;

12 (2) holding meetings of the foreign cooperative's members or directors
13 or carrying on any other activity concerning the foreign cooperative's internal
14 affairs;

15 (3) maintaining accounts in financial institutions;

16 (4) maintaining offices or agencies for the transfer, exchange, and
17 registration of the foreign cooperative's own securities or maintaining trustees
18 or depositories with respect to those securities;

19 (5) selling through independent contractors;

1 (6) soliciting or obtaining orders, whether by mail or electronic means,
2 through employees, agents, or otherwise, if the orders require acceptance
3 outside this state before they become contracts;

4 (7) creating or acquiring indebtedness, mortgages, or security interests
5 in real or personal property;

6 (8) securing or collecting debts or enforcing mortgages or other security
7 interests in property securing the debts, and holding, protecting, and
8 maintaining property so acquired;

9 (9) conducting an isolated transaction that is completed within 30 days
10 and is not one in the course of similar transactions; and

11 (10) transacting business in interstate commerce.

12 (b) For purposes of this article, the ownership in this state of
13 income-producing real property or tangible personal property, other than
14 property excluded under subsection (a) of this section, constitutes transacting
15 business in this state.

16 (c) This section does not apply in determining the contacts or activities that
17 may subject a foreign cooperative to service of process, taxation, or regulation
18 under the laws of this state other than this title.

19 § 1404. ISSUANCE OF CERTIFICATE OF AUTHORITY

20 Unless the secretary of state determines that an application for a certificate
21 of authority does not comply with the filing requirements of this title, the

1 secretary of state, upon payment by the foreign cooperative of all filing fees,
2 shall file the application, issue a certificate of authority, and send a copy of the
3 filed certificate, together with a receipt for the fees, to the foreign cooperative
4 or its representative.

5 § 1405. NONCOMPLYING NAME OF FOREIGN COOPERATIVE

6 (a) A foreign cooperative whose name does not comply with section 111 of
7 this title may not obtain a certificate of authority until it adopts, for the purpose
8 of transacting business in this state, an alternative name that complies with
9 section 111. A foreign cooperative that adopts an alternative name under this
10 subsection and then obtains a certificate of authority with that name need not
11 also comply with chapter 15 of Title 11. After obtaining a certificate of
12 authority with an alternative name, a foreign cooperative's business in this
13 state must be transacted under that name unless the foreign cooperative is
14 authorized under chapter 15 of Title 11 to transact business in this state under
15 another name.

16 (b) If a foreign cooperative authorized to transact business in this state
17 changes its name to one that does not comply with section 111 of this title, it
18 may not thereafter transact business in this state until it complies with
19 subsection (a) of this section and obtains an amended certificate of authority.

1 § 1406. REVOCATION OF CERTIFICATE OF AUTHORITY

2 (a) A certificate of authority may be revoked by the secretary of state in the
3 manner provided in subsection (b) of this section if the foreign cooperative
4 does not:

5 (1) pay, not later than 60 days after the due date, any fee, tax, or penalty
6 due to the secretary of state under this title;

7 (2) deliver, not later than 60 days after the due date, its annual report;

8 (3) appoint and maintain an agent for service of process; or

9 (4) deliver for filing a statement of change not later than 30 days after a
10 change has occurred in the name of the agent or the address of the foreign
11 cooperative's designated office.

12 (b) To revoke a certificate of authority, the secretary of state must file a
13 notice of revocation and send a copy to the foreign cooperative's registered
14 agent for service of process in this state or, if the foreign cooperative does not
15 appoint and maintain an agent for service of process in this state, to the foreign
16 cooperative's principal office. The notice must state:

17 (1) the revocation's effective date, which must be at least 60 days after
18 the date the secretary of state sends the copy; and

19 (2) the foreign cooperative's noncompliance that is the reason for the
20 revocation.

1 (c) The authority of a foreign cooperative to transact business in this state
2 ceases on the effective date of the notice of revocation unless before that date
3 the foreign cooperative cures each failure to comply stated in the notice. If the
4 foreign cooperative cures the failures, the secretary of state shall so indicate on
5 the filed notice.

6 § 1407. CANCELLATION OF CERTIFICATE OF AUTHORITY; EFFECT
7 OF FAILURE TO HAVE CERTIFICATE

8 (a) To cancel its certificate of authority, a foreign cooperative must deliver
9 to the secretary of state for filing a notice of cancellation. The certificate is
10 canceled when the notice becomes effective under section 203 of this title.

11 (b) A foreign cooperative transacting business in this state may not
12 maintain an action or proceeding in this state unless it has a certificate of
13 authority.

14 (c) The failure of a foreign cooperative to have a certificate of authority
15 does not impair the validity of a contract or act of the foreign cooperative or
16 prevent the foreign cooperative from defending an action or proceeding in this
17 state.

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

1 (e) If a foreign cooperative transacts business in this state without a
2 certificate of authority or cancels its certificate, it appoints the secretary of
3 state as its agent for service of process for an action arising out of the
4 transaction of business in this state.

5 § 1408. ACTION BY ATTORNEY GENERAL

6 The attorney general may maintain an action to restrain a foreign
7 cooperative from transacting business in this state in violation of this article.

8 Article 15. Disposition of Assets

9 § 1501. DISPOSITION OF ASSETS NOT REQUIRING MEMBER

10 APPROVAL

11 Unless the articles of organization otherwise provide, member approval
12 under section 1502 of this title is not required for a limited cooperative
13 association to:

14 (1) sell, lease, exchange, license, or otherwise dispose of all or any part
15 of the assets of the association in the usual and regular course of business; or

16 (2) mortgage, pledge, dedicate to the repayment of indebtedness, or
17 encumber in any way all or any part of the assets of the association whether or
18 not in the usual and regular course of business.

19 § 1502. MEMBER APPROVAL OF OTHER DISPOSITION OF ASSETS

20 A sale, lease, exchange, license, or other disposition of assets of a limited
21 cooperative association, other than a disposition described in section 1501 of

1 this title, requires approval of the association's members under sections 1503
2 and 1504 of this title if the disposition leaves the association without
3 significant continuing business activity.

4 § 1503. NOTICE AND ACTION ON DISPOSITION OF ASSETS

5 For a limited cooperative association to dispose of assets under section 1502
6 of this title:

7 (1) a majority of the board of directors, or a greater percentage if
8 required by the organic rules, must approve the proposed disposition; and

9 (2) the board of directors must call a members meeting to consider the
10 proposed disposition, hold the meeting not later than 90 days after approval of
11 the proposed disposition by the board, and mail or otherwise transmit or
12 deliver in a record to each member:

13 (A) the terms of the proposed disposition;

14 (B) a recommendation that the members approve the disposition, or if
15 the board determines that because of conflict of interest or other special
16 circumstances it should not make a favorable recommendation, the basis for
17 that determination;

18 (C) a statement of any condition of the board's submission of the
19 proposed disposition to the members; and

1 (D) notice of the meeting at which the proposed disposition will be
2 considered, which must be given in the same manner as notice of a special
3 meeting of members.

4 § 1504. DISPOSITION OF ASSETS

5 (a) Subject to subsection (b) of this section, a disposition of assets under
6 section 1502 of this title must be approved by:

7 (1) at least two-thirds of the voting power of members present at a
8 members meeting called under subdivision 1503(2) of this title; and

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

12 (b) The organic rules may require that the percentage of votes under
13 subdivision (a)(1) of this title is:

14 (1) a different percentage that is not less than a majority of members
15 voting at the meeting;

16 (2) measured against the voting power of all members; or

17 (3) a combination of subdivisions (1) and (2) of this subsection.

18 (c) Subject to any contractual obligations, after a disposition of assets is
19 approved and at any time before the consummation of the disposition, a limited
20 cooperative association may approve an amendment to the contract for

1 disposition or the resolution authorizing the disposition or approve
2 abandonment of the disposition:

3 (1) as provided in the contract or the resolution; and

4 (2) except as prohibited by the resolution, with the same affirmative
5 vote of the board of directors and of the members as was required to approve
6 the disposition.

7 (d) The voting requirements for districts, classes, or voting groups under
8 section 404 of this title apply to approval of a disposition of assets under this
9 article.

10 Article 16. Conversion and Merger

11 § 1601. DEFINITIONS

12 In this article:

13 (1) “Constituent entity” means an entity that is a party to a merger.

14 (2) “Constituent limited cooperative association” means a limited
15 cooperative association that is a party to a merger.

16 (3) “Converted entity” means the organization into which a converting
17 entity converts pursuant to sections 1602 through 1605 of this title.

18 (4) “Converting entity” means an entity that converts into another entity
19 pursuant to sections 1602 through 1605 of this title.

20 (5) “Converting limited cooperative association” means a converting
21 entity that is a limited cooperative association.

1 (6) “Organizational documents” means articles of incorporation, bylaws,
2 articles of organization, operating agreements, partnership agreements, or other
3 documents serving a similar function in the creation and governance of an
4 entity.

5 (7) “Personal liability” means personal liability for a debt, liability, or
6 other obligation of an entity imposed, by operation of law or otherwise, on a
7 person that co-owns or has an interest in the entity:

8 (A) by the entity’s organic law solely because of the person
9 co-owning or having an interest in the entity; or

10 (B) by the entity’s organizational documents under a provision of the
11 entity’s organic law authorizing those documents to make one or more
12 specified persons liable for all or specified parts of the entity’s debts,
13 liabilities, and other obligations solely because the person co-owns or has an
14 interest in the entity.

15 (8) “Surviving entity” means an entity into which one or more other
16 entities are merged, whether the entity existed before the merger or is created
17 by the merger.

18 § 1602. CONVERSION

19 (a) An entity that is not a limited cooperative association may convert to a
20 limited cooperative association and a limited cooperative association may

1 convert to an entity that is not a limited cooperative association pursuant to this
2 section, sections 1603 through 1605 of this title, and a plan of conversion, if:

3 (1) the other entity's organic law authorizes the conversion;

4 (2) the conversion is not prohibited by the law of the jurisdiction that
5 enacted the other entity's organic law; and

6 (3) the other entity complies with its organic law in effecting the
7 conversion.

8 (b) A plan of conversion must be in a record and must include:

9 (1) the name and form of the entity before conversion;

10 (2) the name and form of the entity after conversion;

11 (3) the terms and conditions of the conversion, including the manner and
12 basis for converting interests in the converting entity into any combination of
13 money, interests in the converted entity, and other consideration; and

14 (4) the organizational documents of the proposed converted entity.

15 § 1603. ACTION ON PLAN OF CONVERSION BY CONVERTING

16 LIMITED COOPERATIVE ASSOCIATION

17 (a) For a limited cooperative association to convert to another entity, a plan
18 of conversion must be approved by a majority of the board of directors, or a
19 greater percentage if required by the organic rules, and the board of directors
20 must call a members meeting to consider the plan of conversion, hold the

1 meeting not later than 90 days after approval of the plan by the board, and mail
2 or otherwise transmit or deliver in a record to each member:

3 (1) the plan, or a summary of the plan and a statement of the manner in
4 which a copy of the plan in a record may be reasonably obtained by a member;

5 (2) a recommendation that the members approve the plan of conversion,
6 or if the board determines that because of a conflict of interest or other
7 circumstances it should not make a favorable recommendation, the basis for
8 that determination;

9 (3) a statement of any condition of the board's submission of the plan of
10 conversion to the members; and

11 (4) notice of the meeting at which the plan of conversion will be
12 considered, which must be given in the same manner as notice of a special
13 meeting of members.

14 (b) Subject to subsections (c) and (d) of this section, a plan of conversion
15 must be approved by:

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

18 (2) if the limited cooperative association has investor members, at least
19 a majority of the votes cast by patron members, unless the organic rules require
20 a greater percentage vote by patron members.

1 (c) The organic rules may require that the percentage of votes under
2 subdivision (b)(1) of this section is:

3 (1) a different percentage that is not less than a majority of members
4 voting at the meeting;

5 (2) measured against the voting power of all members; or

6 (3) a combination of subdivisions (1) and (2) of this subsection.

7 (d) The vote required to approve a plan of conversion may not be less than
8 the vote required for the members of the limited cooperative association to
9 amend the articles of organization.

10 (e) Consent in a record to a plan of conversion by a member must be
11 delivered to the limited cooperative association before delivery of articles of
12 conversion for filing if as a result of the conversion the member will have:

13 (1) personal liability for an obligation of the association; or

14 (2) an obligation or liability for an additional contribution.

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

19 (1) as provided in the plan; and

20 (2) except as prohibited by the plan, by the same affirmative vote of the
21 board of directors and of the members as was required to approve the plan.

1 (g) The voting requirements for districts, classes, or voting groups under
2 section 404 of this title apply to approval of a conversion under this article.

3 § 1604. FILINGS REQUIRED FOR CONVERSION; EFFECTIVE DATE

4 (a) After a plan of conversion is approved:

5 (1) a converting limited cooperative association shall deliver to the
6 secretary of state for filing articles of conversion, which must include:

7 (A) a statement that the limited cooperative association has been
8 converted into another entity;

9 (B) the name and form of the converted entity and the jurisdiction of
10 its governing statute;

11 (C) the date the conversion is effective under the governing statute of
12 the converted entity;

13 (D) a statement that the conversion was approved as required by this
14 title;

15 (E) a statement that the conversion was approved as required by the
16 governing statute of the converted entity; and

17 (F) if the converted entity is an entity organized in a jurisdiction other
18 than this state and is not authorized to transact business in this state, the street
19 address and, if different, mailing address of an office which the secretary of
20 state may use for purposes of section 120 of this title; and

1 (2) if the converting entity is not a converting limited cooperative
2 association, the converting entity shall deliver to the secretary of state for filing
3 articles of organization, which must include, in addition to the information
4 required by section 302 of this title:

5 (A) a statement that the association was converted from another
6 entity;

7 (B) the name and form of the converting entity and the jurisdiction of
8 its governing statute; and

9 (C) a statement that the conversion was approved in a manner that
10 complied with the converting entity's governing statute.

11 (b) A conversion becomes effective:

12 (1) if the converted entity is a limited cooperative association, when the
13 articles of conversion take effect pursuant to subsection 203(c) of this title; or

14 (2) if the converted entity is not a limited cooperative association, as
15 provided by the governing statute of the converted entity.

16 § 1605. EFFECT OF CONVERSION

17 (a) An entity that has been converted pursuant to this article is for all
18 purposes the same entity that existed before the conversion and is not a new
19 entity but, after conversion, is organized under the organic law of the
20 converted entity and is subject to that law and other law as it applies to the
21 converted entity.

1 (b) When a conversion takes effect under this article:

2 (1) all property owned by the converting entity remains vested in the
3 converted entity;

4 (2) all debts, liabilities, and other obligations of the converting entity
5 continue as obligations of the converted entity;

6 (3) an action or proceeding pending by or against the converting entity
7 may be continued as if the conversion had not occurred;

8 (4) except as prohibited by other law, all the rights, privileges,
9 immunities, powers, and purposes of the converting entity remain vested in the
10 converted entity;

11 (5) except as otherwise provided in the plan of conversion, the terms and
12 conditions of the plan of conversion take effect; and

13 (6) except as otherwise provided in the plan of conversion, the
14 conversion does not dissolve a converting limited cooperative association for
15 purposes of Article 12 of this title.

16 (c) A converted entity that is an entity organized under the laws of a
17 jurisdiction other than this state consents to the jurisdiction of the courts of this
18 state to enforce any obligation owed by the converting limited cooperative
19 association if, before the conversion, the converting limited cooperative
20 association was subject to suit in this state on the obligation. A converted
21 entity that is an entity organized under the laws of a jurisdiction other than this

1 state and not authorized to transact business in this state appoints the secretary
2 of state as its agent for service of process for purposes of enforcing an
3 obligation under this subsection. Service on the secretary of state under this
4 subsection is made in the same manner and with the same consequences as
5 under subsections 120(c) and (d) of this title.

6 § 1606. MERGER

7 (a) One or more limited cooperative associations may merge with one or
8 more other entities pursuant to this article and a plan of merger if:

9 (1) the governing statute of each of the other entities authorizes the
10 merger;

11 (2) the merger is not prohibited by the law of a jurisdiction that enacted
12 any of those governing statutes; and

13 (3) each of the other entities complies with its governing statute in
14 effecting the merger.

15 (b) A plan of merger must be in a record and must include:

16 (1) the name and form of each constituent entity;

17 (2) the name and form of the surviving entity and, if the surviving entity
18 is to be created by the merger, a statement to that effect;

19 (3) the terms and conditions of the merger, including the manner and
20 basis for converting the interests in each constituent entity into any

1 combination of money, interests in the surviving entity, and other
2 consideration;

3 (4) if the surviving entity is to be created by the merger, the surviving
4 entity's organizational documents;

5 (5) if the surviving entity is not to be created by the merger, any
6 amendments to be made by the merger to the surviving entity's organizational
7 documents; and

8 (6) if a member of a constituent limited cooperative association will
9 have personal liability with respect to a surviving entity, the identity of the
10 member by descriptive class or other reasonable manner.

11 § 1607. NOTICE AND ACTION ON PLAN OF MERGER BY

12 CONSTITUENT LIMITED COOPERATIVE ASSOCIATION

13 (a) For a limited cooperative association to merge with another entity, a
14 plan of merger must be approved by a majority vote of the board of directors or
15 a greater percentage if required by the association's organic rules.

16 (b) The board of directors shall call a members meeting to consider a plan
17 of merger approved by the board, hold the meeting not later than 90 days after
18 approval of the plan by the board, and mail or otherwise transmit or deliver in
19 a record to each member:

1 (1) the plan of merger, or a summary of the plan and a statement of the
2 manner in which a copy of the plan in a record may be reasonably obtained by
3 a member;

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

8 (3) a statement of any condition of the board's submission of the plan of
9 merger to the members; and

10 (4) notice of the meeting at which the plan of merger will be considered,
11 which must be given in the same manner as notice of a special meeting of
12 members.

13 § 1608. APPROVAL OR ABANDONMENT OF MERGER BY MEMBERS

14 (a) Subject to subsections (b) and (c) of this section, a plan of merger must
15 be approved by:

16 (1) at least two-thirds of the voting power of members present at a
17 members meeting called under subsection 1607(b) of this title; and

18 (2) if the limited cooperative association has investor members, at least
19 a majority of the votes cast by patron members, unless the organic rules require
20 a greater percentage vote by patron members.

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

3 (1) a different percentage that is not less than a majority of members
4 voting at the meeting;

5 (2) measured against the voting power of all members; or

6 (3) a combination of subdivisions (1) and (2) of this subsection.

7 (c) The vote required to approve a plan of merger may not be less than the
8 vote required for the members of the limited cooperative association to amend
9 the articles of organization.

10 (d) Consent in a record to a plan of merger by a member must be delivered
11 to the limited cooperative association before delivery of articles of merger for
12 filing pursuant to section 1609 of this title if as a result of the merger the
13 member will have:

14 (1) personal liability for an obligation of the association; or

15 (2) an obligation or liability for an additional contribution.

16 (e) Subject to subsection (d) of this section and any contractual rights, after
17 a merger is approved, and at any time before the effective date of the merger, a
18 limited cooperative association that is a party to the merger may approve an
19 amendment to the plan of merger or approve abandonment of the planned
20 merger:

21 (1) as provided in the plan; and

1 (2) except as prohibited by the plan, with the same affirmative vote of
2 the board of directors and of the members as was required to approve the plan.

3 (f) The voting requirements for districts, classes, or voting groups under
4 section 404 of this title apply to approval of a merger under this article.

5 § 1609. FILINGS REQUIRED FOR MERGER; EFFECTIVE DATE

6 (a) After each constituent entity has approved a merger, articles of merger
7 must be signed on behalf of each constituent entity by an authorized
8 representative.

9 (b) The articles of merger must include:

10 (1) the name and form of each constituent entity and the jurisdiction of
11 its governing statute;

12 (2) the name and form of the surviving entity, the jurisdiction of its
13 governing statute, and, if the surviving entity is created by the merger, a
14 statement to that effect;

15 (3) the date the merger is effective under the governing statute of the
16 surviving entity;

17 (4) if the surviving entity is to be created by the merger and:

18 (A) will be a limited cooperative association, the limited cooperative
19 association's articles of organization; or

20 (B) will be an entity other than a limited cooperative association, the
21 organizational document that creates the entity;

1 (5) if the surviving entity is not created by the merger, any amendments
2 provided for in the plan of merger to the organizational document that created
3 the entity;

4 (6) a statement as to each constituent entity that the merger was
5 approved as required by the entity's governing statute;

6 (7) if the surviving entity is a foreign organization not authorized to
7 transact business in this state, the street address and, if different, mailing
8 address of an office which the secretary of state may use for the purposes of
9 section 120 of this title; and

10 (8) any additional information required by the governing statute of any
11 constituent entity.

12 (c) Each limited cooperative association that is a party to a merger shall
13 deliver the articles of merger to the secretary of state for filing.

14 (d) A merger becomes effective under this article:

15 (1) if the surviving entity is a limited cooperative association, upon the
16 later of:

17 (A) compliance with subsection (c) of this section; or

18 (B) subject to subsection 203(c) of this title, as specified in the
19 articles of merger; or

20 (2) if the surviving entity is not a limited cooperative association, as
21 provided by the governing statute of the surviving entity.

1 § 1610. EFFECT OF MERGER

2 (a) When a merger becomes effective:

3 (1) the surviving entity continues or comes into existence;

4 (2) each constituent entity that merges into the surviving entity ceases to
5 exist as a separate entity;

6 (3) all property owned by each constituent entity that ceases to exist
7 vests in the surviving entity;

8 (4) all debts, liabilities, and other obligations of each constituent entity
9 that ceases to exist continue as obligations of the surviving entity;

10 (5) an action or proceeding pending by or against any constituent entity
11 that ceases to exist may be continued as if the merger had not occurred;

12 (6) except as prohibited by law other than this title, all rights, privileges,
13 immunities, powers, and purposes of each constituent entity that ceases to exist
14 vest in the surviving entity;

15 (7) except as otherwise provided in the plan of merger, the terms and
16 conditions of the plan take effect;

17 (8) except as otherwise provided in the plan of merger, if a merging
18 limited cooperative association ceases to exist, the merger does not dissolve
19 the association for purposes of Article 12 of this title;

20 (9) if the surviving entity is created by the merger and:

1 (A) is a limited cooperative association, the articles of organization
2 become effective; or

3 (B) is an entity other than a limited cooperative association, the
4 organizational document that creates the entity becomes effective; and

5 (10) if the surviving entity is not created by the merger, any
6 amendments made by the articles of merger for the organizational documents
7 of the surviving entity become effective.

8 (b) A surviving entity that is an entity organized under the laws of a
9 jurisdiction other than this state consents to the jurisdiction of the courts of this
10 state to enforce any obligation owed by the constituent entity if, before the
11 merger, the constituent entity was subject to suit in this state on the obligation.

12 A surviving entity that is an entity organized under the laws of a jurisdiction
13 other than this state and not authorized to transact business in this state
14 appoints the secretary of state as its agent for service of process for purposes of
15 enforcing an obligation under this subsection. Service on the secretary of state
16 under this subsection is made in the same manner and with the same
17 consequences as in subsections 120(c) and (d) of this title.

18 § 1611. CONSOLIDATION

19 (a) Constituent entities that are limited cooperative associations or foreign
20 cooperatives may agree to call a merger a consolidation under this article.

1 (b) All provisions governing mergers or using the term merger in this title
2 apply equally to mergers that the constituent entities choose to call
3 consolidations under subsection (a) of this section.

4 § 1612. ARTICLE NOT EXCLUSIVE

5 This article does not prohibit a limited cooperative association from being
6 converted or merged under law other than this title.

7 Article 17. Miscellaneous Provisions

8 § 1701. UNIFORMITY OF APPLICATION AND CONSTRUCTION

9 In applying and construing this uniform act, consideration must be given to
10 the need to promote uniformity of the law with respect to its subject matter
11 among states that enact it.

12 § 1702. RELATION TO ELECTRONIC SIGNATURES IN GLOBAL AND
13 NATIONAL COMMERCE ACT

14 This title modifies, limits, or supersedes the federal Electronic Signatures in
15 Global and National Commerce Act, 15 U.S.C. Section 7001 et seq., but does
16 not modify, limit, or supersede Section 101(c) of that act, 15 U.S.C. Section
17 7001(c) or authorize electronic delivery of any of the notices described in
18 Section 103(b) of that act, 15 U.S.C. Section 7003(b).

19 § 1703. SAVINGS CLAUSE

20 This title does not affect an action or proceeding commenced, or right
21 accrued, before the effective date.

- 1 § 1704. EFFECTIVE DATE
- 2 This title takes effect upon passage.