

1 S.7

2 Introduced by Senator Giard

3 Referred to Committee on

4 Date:

5 Subject: Commerce and trade; business entities; limited cooperative
6 associations

7 Statement of purpose: This bill proposes to authorize the creation of a new
8 type of business entity, the limited cooperative association.

9 An act relating to the Uniform Limited Cooperative Association Act

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

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

12 TITLE 11C. UNIFORM LIMITED COOPERATIVE ASSOCIATIONS

13 Article 1. General Provisions

14 § 101. SHORT TITLE

15 This title may be cited as the Uniform Limited Cooperative
16 Association Act.

17 § 102. DEFINITIONS

18 For purposes of this title, 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 right" 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 right" 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.

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 laws 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 a member of
20 either.

1 (b) A limited cooperative association may not conduct an activity that,
2 under law of this state other than this title, may be conducted only by an entity
3 that meets specific requirements for the internal affairs of that entity unless the
4 organic rules of the association conform to those requirements.

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

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

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

18 § 111. NAME

19 (a) Use of the term “cooperative” or its abbreviation under this title is not a
20 violation of the provisions restricting the use of the term under 11 V.S.A.
21 § 992.

1 (b) The name of a limited cooperative association must contain the words
2 “limited cooperative association” or “limited cooperative” or the abbreviation
3 “L.C.A.” or “LCA.” “Limited” may be abbreviated as “Ltd.” “Cooperative”
4 may be abbreviated as “Co-op” or “Coop.” “Association” may be abbreviated
5 as “Assoc.” or “Assn.”

6 (c) Unless otherwise provided in this title, a limited cooperative association
7 may apply to the secretary of state for authorization to use a name under the
8 procedures and subject to the rules for associations of individuals set forth in
9 chapter 15 of Title 11.

10 § 112. RESERVATION OF NAME

11 (a) A person may reserve the exclusive use of the name of a limited
12 cooperative association, including a fictitious name for a foreign cooperative
13 whose name is not available under section 111 of this title, by delivering an
14 application to the secretary of state for filing. The application must set forth
15 the name and address of the applicant and the name proposed to be reserved.
16 If the secretary of state finds that the name applied for is available under
17 section 111 of this title, the secretary of state shall reserve the name for the
18 applicant’s exclusive use for a nonrenewable period of 120 days.

19 (b) A person who has reserved a name for a limited cooperative association
20 may transfer the reservation to another person by delivering to the secretary of
21 state a signed notice of the transfer which states the name, street address, and,

1 if different, the mailing address of the transferee. If the person is an organizer
2 of the association and the name of the association is the same as the reserved
3 name, the delivery of articles of organization for filing by the secretary of state
4 is a transfer by the person to the association.

5 § 113. EFFECT OF ORGANIC RULES

6 (a) The relations between a limited cooperative association and its
7 members are consensual. Unless required, limited, or prohibited by this title,
8 the organic rules may provide for any matter concerning the relations among
9 the members of the association and between the members and the association,
10 the activities of the association, and the conduct of its activities.

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

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

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

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

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

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

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

5 (7) specify causes of dissolution under subdivision 1202(1) of this title;

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

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

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

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

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

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

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

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

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

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

9 (5) provide for terms and conditions to become a member under section
10 502 of this title;

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

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

15 (8) require a statement of purpose in the annual meeting notice under
16 subsection 508(b) of this title;

17 (9) increase quorum requirements for members' meetings under section
18 510 of this title and board of directors meetings under section 815 of this title;

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

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

4 (12) provide for enforcement of a marketing contract under subsection
5 704(a) of this title;

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

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

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

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

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

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

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

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

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

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

9 (23) provide the personal representative or other legal representative of
10 a deceased member or a member adjudged incompetent with additional rights
11 under section 1103 of this title;

12 (24) increase the percentage of votes required for board of director
13 approval of:

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

15 (B) a proposed amendment to the organic rules under subdivision
16 402(a)(1) of this title;

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

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

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

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

- 1 (A) a resolution to dissolve under section 1205 of this title;
2 (B) an amendment to the organic rules under section 405 of this title;
3 (C) a plan of conversion under section 1603 of this title;
4 (D) a plan of merger under section 1608 of this title; and
5 (E) a disposition of assets under section 1504 of this title.

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

8 § 114. REQUIRED INFORMATION

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

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

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

16 (3) the initial bylaws and all amendments to and restatements of the
17 bylaws;

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

19 (5) all financial statements of the association for the six most recent
20 years;

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

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

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

6 (9) a list containing:

7 (A) the name, in alphabetical order, and last known street address
8 and, if different, mailing address of each patron member and each investor
9 member; and

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

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

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

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

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

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

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

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

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

8 (18) all communications concerning the association made in a record to
9 all members or to all members in a district or class for the six most recent
10 years.

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

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

16 § 115. BUSINESS TRANSACTIONS OF MEMBER WITH LIMITED
17 COOPERATIVE ASSOCIATION

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

1 § 116. DUAL CAPACITY

2 A person may have a patron member's interest and an investor member's
3 interest in a limited cooperative association. When such person acts as a
4 patron member, the person is subject to this title and the organic rules
5 governing patron members. When such person acts as an investor member, the
6 person is subject to this title and the organic rules governing investor members.

7 § 117. DESIGNATED OFFICE AND AGENT FOR SERVICE OF
8 PROCESS

9 (a) A limited cooperative association or a foreign cooperative that has a
10 certificate of authority under section 1404 of this title shall designate and
11 continuously maintain in this state:

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

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

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

18 § 118. CHANGE OF DESIGNATED OFFICE OR AGENT FOR SERVICE
19 OF PROCESS

20 (a) Except as otherwise provided in subsection 207(e) of this title, to
21 change its designated office, its agent for service of process, or the street

1 address or, if different, mailing address of its principal office, a limited
2 cooperative association must deliver to the secretary of state for filing a
3 statement of change containing:

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

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

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

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

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

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

17 (1) the name of the foreign cooperative;

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

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

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

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

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

8 § 119. RESIGNATION OF AGENT FOR SERVICE OF PROCESS

9 (a) To resign as an agent for service of process of a limited cooperative
10 association or foreign cooperative, the agent must deliver to the secretary of
11 state for filing a statement of resignation containing the name of the agent and
12 the name of the association or foreign cooperative.

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

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

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

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

4 § 120. SERVICE OF PROCESS

5 (a) An agent for service of process appointed by a limited cooperative
6 association or foreign cooperative is an agent of the association or foreign
7 cooperative for service of process, notice, or a demand required or permitted
8 by law to be served upon the association or foreign cooperative.

9 (b) If a limited cooperative association or foreign cooperative does not
10 appoint or maintain an agent for service of process in this state or the agent for
11 service of process cannot with reasonable diligence be found at the address of
12 the designated office on file with the secretary of state, the secretary of state is
13 an agent of the association or foreign cooperative upon which process, notice,
14 or a demand may be served.

15 (c) Service of process, notice, or a demand on the secretary of state as agent
16 of a limited cooperative association or foreign cooperative may be made by
17 delivering to the secretary of state two copies of the process, notice, or
18 demand. The secretary of state shall forward one copy by registered or
19 certified mail, return receipt requested, to the association or foreign
20 cooperative at its principal office.

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

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

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

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

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

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

13 Article 2. Filing and Annual Reports

14 § 201. SIGNING OF RECORDS DELIVERED FOR FILING TO

15 SECRETARY OF STATE

16 (a) A record delivered to the secretary of state for filing pursuant to this
17 title must be signed as follows:

18 (1) The initial articles of organization must be signed by at least one
19 organizer.

20 (2) A statement of cancellation under subsection 302(d) of this title must
21 be signed by at least one organizer.

1 (3) Except as otherwise provided in subdivision (4) of this subsection, a
2 record signed on behalf of an existing limited cooperative association must be
3 signed by an officer.

4 (4) A record filed on behalf of a dissolved association must be signed by
5 a person winding up activities under section 1206 of this title or a person
6 appointed under section 1206 to wind up those activities.

7 (5) Any other record must be signed by the person on whose behalf the
8 record is delivered to the secretary of state.

9 (b) Any record to be signed under this title may be signed by an authorized
10 agent.

11 § 202. SIGNING AND FILING OF RECORDS PURSUANT TO JUDICIAL
12 ORDER

13 (a) If a person required by this title to sign or deliver a record to the
14 secretary of state for filing does not do so, the superior court of the county of
15 the limited cooperative association's principal office or the foreign
16 cooperative's registered office, upon petition of an aggrieved person, may
17 order:

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

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

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

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

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

8 (a) A record authorized or required by this title to be delivered to the
9 secretary of state for filing must be captioned to describe the record's purpose,
10 be in a medium and format permitted by the secretary of state, and be delivered
11 to the secretary of state. If the filing fees have been paid and unless the
12 secretary of state determines that the record does not comply with the filing
13 requirements, the secretary of state shall file the record and send a copy of the
14 filed record and a receipt for the fees to the person on whose behalf the record
15 was filed.

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

19 (c) Except as otherwise provided in sections 118 and 204 of this title, a
20 record delivered to the secretary of state for filing under this title may specify
21 an effective time and a delayed effective date that may include an effective

1 time on that date. Except as otherwise provided in sections 118 and 204 of this
2 title, a record filed by the secretary of state under this title is effective:

3 (1) if the record does not specify an effective time and does not specify
4 a delayed effective date, on the date and at the time the record is filed as
5 evidenced by the secretary of state's endorsement of the date and time on the
6 record;

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

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

11 (A) the specified date; or

12 (B) the 90th day after the record is filed; or

13 (4) if the record specifies an effective time and a delayed effective date,
14 at the specified time on the earlier of:

15 (A) the specified date; or

16 (B) the 90th day after the record is filed.

17 § 204. CORRECTING FILED RECORD

18 (a) A limited cooperative association or foreign cooperative may deliver to
19 the secretary of state for filing a statement of correction to correct a record
20 previously delivered by the association or foreign cooperative to the secretary

1 of state and filed by the secretary of state if, at the time of filing, the record
2 contained inaccurate information or was defectively signed.

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

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

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

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

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

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

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

17 § 205. LIABILITY FOR INACCURATE INFORMATION IN FILED

18 RECORD

19 If a record delivered to the secretary of state for filing under this title and
20 filed by the secretary of state contains inaccurate information, a person that
21 suffers a loss by reliance on the information may recover damages for the loss

1 from a person that signed the record or caused another to sign it on the
2 person's behalf and knew at the time the record was signed that the
3 information was inaccurate.

4 § 206. CERTIFICATE OF GOOD STANDING OR AUTHORIZATION

5 (a) The secretary of state, upon request and payment of the required fee,
6 shall furnish any person that requests it a certificate of good standing for a
7 limited cooperative association if the records filed in the office of the secretary
8 of state show that the secretary of state has filed the association's articles of
9 organization, that the association is in good standing, and that the secretary of
10 state has not filed a statement of termination.

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

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

1 § 207. ANNUAL REPORT FOR SECRETARY OF STATE

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

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

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

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

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

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

16 (c) The first annual report must be delivered to the secretary of state
17 between January 1 and April 1 of the year following the calendar year in which
18 the limited cooperative association is formed or the foreign cooperative is
19 authorized to transact business in this state. An annual report shall be
20 delivered to the secretary of state within two and one-half months after the
21 expiration of the limited cooperative association's fiscal year.

1 (d) If an annual report does not contain the information required by
2 subsection (a) of this section, the secretary of state shall promptly notify the
3 reporting limited cooperative association or foreign cooperative and return the
4 report for correction. If the report is corrected to contain the information
5 required by subsection (a) of this section and delivered to the secretary of state
6 not later than 30 days after the date of the notice from the secretary of state, it
7 is timely delivered.

8 (e) If a filed annual report contains an address of the designated office, the
9 name of the agent for service of process, or address of the principal office
10 which differs from the information shown in the records of the secretary of
11 state immediately before the filing, the differing information in the annual
12 report is considered a statement of change.

13 (f) If a limited cooperative association fails to deliver an annual report
14 under this section, the secretary of state may proceed under section 1211 of
15 this title to dissolve the association administratively.

16 (g) If a foreign cooperative fails to deliver an annual report under this
17 section, the secretary of state may revoke the certificate of authority of the
18 cooperative.

1 § 208. FILING FEES

2 The filing fees for records filed under this article by the secretary of state
3 are the same as those set forth for a limited liability company under 11 V.S.A.

4 § 3013.

5 Article 3. Formation and Initial Articles of Organization of Limited
6 Cooperative Association

7 § 301. ORGANIZERS

8 A limited cooperative association must be organized by one or more
9 organizers.

10 § 302. FORMATION OF LIMITED COOPERATIVE ASSOCIATION;

11 ARTICLES OF ORGANIZATION

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

15 (1) the name of the association;

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

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

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

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

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

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

7 (c) A limited cooperative association is formed after articles of
8 organization that substantially comply with subsection (a) of this section are
9 delivered to the secretary of state, are filed, and become effective under
10 subsection 203(c) of this title.

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

15 § 303. ORGANIZATION OF LIMITED COOPERATIVE ASSOCIATION

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

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

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

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

8 (c) Initial directors need not be members.

9 (d) An initial director serves until a successor is elected and qualified at a
10 members' meeting or the director is removed, resigns, is adjudged
11 incompetent, or dies.

12 § 304. BYLAWS

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

15 (1) a statement of the capital structure of the limited cooperative
16 association, including:

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

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

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

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

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

7 (5) a statement concerning the manner in which profits and losses are
8 allocated and distributions are made among patron members and, if investor
9 members are authorized, the manner in which profits and losses are allocated
10 and how distributions are made among investor members and between patron
11 members and investor members;

12 (6) a statement concerning:

13 (A) whether persons who are not members but who conduct business
14 with the association may be permitted to share in allocations of profits and
15 losses and receive distributions; and

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

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

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

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

7 Article 4. Amendment of Organic Rules of Limited
8 Cooperative Association

9 § 401. AUTHORITY TO AMEND ORGANIC RULES

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

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

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

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

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

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

5 (b) The board of directors shall call a members' meeting to consider an
6 amendment proposed pursuant to subsection (a) of this section. The meeting
7 must be held not later than 90 days following the proposal of the amendment
8 by the board or receipt of a petition. The board must mail or otherwise
9 transmit or deliver in a record to each member:

10 (1) the proposed amendment or a summary of the proposed amendment
11 and a statement of the manner in which a copy of the amendment in a record
12 may be reasonably obtained by a member;

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

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

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

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

2 (a) A substantive change to a proposed amendment of the organic rules
3 may not be made at the members' meeting at which a vote on the amendment
4 occurs.

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

8 (c) A vote to adopt a nonsubstantive change to a proposed amendment to
9 the organic rules must be by the same percentage of votes as is required to pass
10 a proposed amendment.

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

12 (a) This section applies if the organic rules provide for voting by district or
13 class or if there is one or more identifiable voting groups that a proposed
14 amendment to the organic rules would affect differently from other members
15 with respect to matters identified in subdivisions 405(e)(1) through (5) of this
16 title. Approval of the amendment requires the same percentage of votes of the
17 members of that district, class, or voting group required in sections 405 and
18 514 of this title.

19 (b) If a proposed amendment to the organic rules would affect members in
20 two or more districts or classes entitled to vote separately under subsection (a)
21 of this section in the same or a substantially similar way, the districts or classes

1 affected must vote as a single voting group unless the organic rules otherwise
2 provide for separate voting.

3 § 405. APPROVAL OF AMENDMENT

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

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

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

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

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

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

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

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

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

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

5 (d) Consent in a record by a member must be delivered to a limited
6 cooperative association before delivery of an amendment to the articles of
7 organization or restated articles of organization for filing pursuant to section
8 407 of this title if as a result of the amendment the member will have:

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

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

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

13 (1) the equity capital structure of the limited cooperative association,
14 including the rights of the association's members to share in profits or
15 distributions or the relative rights, preferences, and restrictions granted to or
16 imposed upon one or more districts, classes, or voting groups of similarly
17 situated members;

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

19 (3) the manner or method of allocation of profits or losses among
20 members;

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

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

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

6 (g) If the articles of organization delegate amendment of bylaws to the
7 board of directors, the board shall provide a description of any amendment of
8 the bylaws made by the board to the members in a record not later than 30 days
9 after the amendment, but the description may be provided at the next annual
10 members' meeting if the meeting is held within the 30-day period.

11 § 406. RESTATED ARTICLES OF ORGANIZATION

12 A limited cooperative association, by the affirmative vote of a majority of
13 the board of directors taken at a meeting for which the purpose is stated in the
14 notice of the meeting, may adopt restated articles of organization that contain
15 the original articles as previously amended. Restated articles may contain
16 amendments if the restated articles are adopted in the same manner and with
17 the same vote as required for amendments to the articles under subsection
18 405(a) of this title. Upon filing, restated articles supersede the existing articles
19 and all amendments.

1 § 407. AMENDMENT OR RESTATEMENT OF ARTICLES OF
2 ORGANIZATION; FILING

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

8 (1) the name of the association;

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

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

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

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

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

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

1 association and is not the debt, obligation, or liability of a member solely by
2 reason of being a member.

3 § 505. RIGHT OF MEMBER AND FORMER MEMBER TO
4 INFORMATION

5 (a) Not later than 10 business days after receipt of a demand made in a
6 record, a limited cooperative association shall permit a member to obtain,
7 inspect, and copy in the association's principal office required information
8 listed in subdivisions 114(a)(1) through (8) of this title during regular business
9 hours. A member need not have any particular purpose for seeking the
10 information. The association is not required to provide the same information
11 listed in subdivisions 114(a)(2) through (8) of this title to the same member
12 more than once during a six-month period.

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

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

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

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

3 (4) the demand is reasonable.

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

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

8 (A) what information the association will provide in response to the
9 demand; and

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

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

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

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

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

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

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

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

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

16 (i) A person who may obtain information under this section may obtain the
17 information through an attorney or other agent. A restriction imposed on the
18 person under subsection (g) of this section or by the organic rules applies to the
19 attorney or other agent.

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

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

4 § 506. ANNUAL MEETING OF MEMBERS

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

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

10 (c) Unless the organic rules otherwise provide, members may attend or
11 conduct an annual members' meeting through any means of communication if
12 all members attending the meeting can communicate with each other during
13 the meeting.

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

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

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

1 § 507. SPECIAL MEETING OF MEMBERS

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

3 (1) as provided in the organic rules;

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

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

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

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

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

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

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

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

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

9 § 508. NOTICE OF MEMBERS' MEETING

10 (a) A limited cooperative association shall notify each member of the time,
11 date, and place of a members' meeting at least 15 and not more than 60 days
12 before the meeting.

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

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

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

1 § 509. WAIVER OF MEMBERS' MEETING NOTICE

2 (a) A member may waive notice of a members' meeting before, during, or
3 after the meeting.

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

8 § 510. QUORUM OF MEMBERS

9 Unless the organic rules otherwise require a greater number of members or
10 percentage of the voting power, the voting member or members present at a
11 members' meeting constitute a quorum.

12 § 511. VOTING BY PATRON MEMBERS

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

16 § 512. DETERMINATION OF VOTING POWER OF PATRON MEMBER

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

19 (1) one member, one vote;

20 (2) use or patronage;

21 (3) equity; or

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

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

5 § 513. VOTING BY INVESTOR MEMBERS

6 If the organic rules provide for investor members, each investor member
7 has one vote unless the organic rules otherwise provide. The organic rules
8 may provide for the allocation of investor member voting power by class,
9 classes, or any combination of classes.

10 § 514. VOTING REQUIREMENTS FOR MEMBERS

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

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

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

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

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

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

3 § 515. MANNER OF VOTING

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

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

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

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

15 § 516. ACTION WITHOUT A MEETING

16 (a) Unless the organic rules require that action be taken only at a members'
17 meeting, any action that may be taken by the members may be taken without a
18 meeting if each member entitled to vote on the action consents in a record to
19 the action.

20 (b) Consent under subsection (a) of this section may be withdrawn by a
21 member in a record at any time before the limited cooperative association

1 receives a consent from each member entitled to vote.

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

4 § 517. DISTRICTS AND DELEGATES; CLASSES OF MEMBERS

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

7 (1) for the conduct of patron member meetings by district and the
8 election of directors at the meetings; or

9 (2) that districts may elect district delegates to represent and vote for the
10 districts at members' meetings.

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

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

15 (1) for the conduct of members' meetings by classes and the election of
16 directors at the meetings; or

17 (2) that classes may elect class delegates to represent and vote for the
18 classes in members' meetings.

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

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

2 § 601. MEMBER'S INTEREST

3 A member's interest:

4 (1) is personal property;

5 (2) consists of:

6 (A) governance rights;

7 (B) financial rights; and

8 (C) the right or obligation, if any, to do business with the limited

9 cooperative association; and

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

11 § 602. PATRON AND INVESTOR MEMBERS' INTERESTS

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

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

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

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

19 (3) if admitted as a patron member and an investor member remains a

20 patron and an investor member if not dissociated in one of the capacities.

1 § 603. TRANSFERABILITY OF MEMBER'S INTEREST

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

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

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

8 (d) The terms of any restriction on transferability of financial rights must
9 be:

10 (1) set forth in the organic rules and the member records of the
11 association; and

12 (2) conspicuously noted on any certificates evidencing a member's
13 interest.

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

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

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

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

6 § 604. SECURITY INTEREST AND SET-OFF

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

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

12 (c) The organic rules may provide that a limited cooperative association
13 has a security interest in the financial rights of a member to secure payment of
14 any indebtedness or other obligation of the member to the association. A
15 security interest provided for in the organic rules is enforceable under and
16 governed by Article 9 of Title 9A.

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

1 § 605. CHARGING ORDERS FOR JUDGMENT CREDITOR OF MEMBER
2 OR TRANSFEREE

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

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

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

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

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

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

6 (e) At any time before sale pursuant to a foreclosure, the limited
7 cooperative association or one or more members whose financial rights are not
8 subject to the charging order may pay to the judgment creditor the full amount
9 due under the judgment and succeed to the rights of the judgment creditor,
10 including the charging order. Unless the organic rules otherwise provide, the
11 association may act under this subsection only with the consent of all members
12 whose financial rights are not subject to the charging order.

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

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

18 Article 7. Marketing Contracts

19 § 701. AUTHORITY

20 In this article, "marketing contract" means a contract between a limited
21 cooperative association and another person who need not be a patron member:

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

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

7 § 702. MARKETING CONTRACTS

8 (a) If a marketing contract provides for the sale of products, commodities,
9 or goods to a limited cooperative association, the sale transfers title to the
10 association upon delivery or at any other specific time expressly provided by
11 the contract.

12 (b) A marketing contract may:

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

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

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

1 § 703. DURATION OF MARKETING CONTRACT

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

7 § 704. REMEDIES FOR BREACH OF CONTRACT

8 (a) Damages to be paid to a limited cooperative association for breach or
9 anticipatory repudiation of a marketing contract may be liquidated, but only at
10 an amount or under a formula that is reasonable in light of the actual or
11 anticipated harm caused by the breach or repudiation. A provision that so
12 provides is not a penalty.

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

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

16 (2) specific performance.

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

1 Article 8. Directors and Officers

2 § 801. BOARD OF DIRECTORS

3 (a) A limited cooperative association must have a board of directors of at
4 least three individuals unless the association has fewer than three members. If
5 the association has fewer than three members, the number of directors may not
6 be fewer than the number of members.

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

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

12 § 802. NO LIABILITY AS DIRECTOR FOR LIMITED COOPERATIVE
13 ASSOCIATION'S OBLIGATIONS

14 A debt, obligation, or other liability of a limited cooperative association is
15 solely that of the association and is not a debt, obligation, or liability of a
16 director solely by reason of being a director. An individual is not personally
17 liable, directly or indirectly, for an obligation of an association solely by
18 reason of being a director.

19 § 803. QUALIFICATIONS OF DIRECTORS

20 (a) Unless the organic rules otherwise provide, and subject to subsection (c)
21 of this section, each director of a limited cooperative association must be an

1 individual who is a member of the association or an individual who is
2 designated by a member that is not an individual for purposes of qualifying and
3 serving as a director. Initial directors need not be members.

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

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

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

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

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

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

14 § 804. ELECTION OF DIRECTORS AND COMPOSITION OF BOARD

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

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

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

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

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

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

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

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

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

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

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

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

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

19 § 805. TERM OF DIRECTOR

20 (a) Unless the organic rules otherwise provide and subject to subsections
21 (c) and (d) of this section and subsection 303(c) of this title, the term of a

1 director expires at the annual members' meeting following the director's
2 election or appointment. The term of a director may not exceed three years.

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

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

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

10 § 806. RESIGNATION OF DIRECTOR

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

14 § 807. REMOVAL OF DIRECTOR

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

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

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

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

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

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

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

10 § 808. SUSPENSION OF DIRECTOR BY BOARD

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

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

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

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

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

19 (b) A suspension under subsection (a) is effective for 30 days unless the
20 board of directors calls and gives notice of a special meeting of members for
21 removal of the director before the end of the 30-day period, in which case the

1 suspension is effective until adjournment of the meeting or the director is
2 removed.

3 § 809. VACANCY ON BOARD

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

6 (1) within a reasonable time by majority vote of the remaining directors
7 until the next annual members' meeting or a special meeting of members
8 called to fill the vacancy; and

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

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

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

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

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

1 § 810. REMUNERATION OF DIRECTORS

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

5 § 811. MEETINGS

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

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

12 § 812. ACTION WITHOUT MEETING

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

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

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

1 § 813. MEETINGS AND NOTICE

2 (a) Unless the organic rules otherwise provide, a board of directors may
3 establish a time, date, and place for regular board meetings, and notice of the
4 time, date, place, or purpose of those meetings is not required.

5 (b) Unless the organic rules otherwise provide, notice of the time, date, and
6 place of a special meeting of a board of directors must be given to all directors
7 at least three days before the meeting, the notice must contain a statement of
8 the purpose of the meeting, and the meeting is limited to the matters contained
9 in the statement.

10 § 814. WAIVER OF NOTICE OF MEETING

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

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

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

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

1 § 815. QUORUM

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

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

9 (c) A director present at a meeting but objecting to notice under subdivision
10 814(b)(1) or (2) of this title does not count toward a quorum.

11 § 816. VOTING

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

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

17 § 817. COMMITTEES

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

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

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

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

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

11 (2) approve or propose to members action requiring approval of
12 members; or

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

14 § 818. STANDARDS OF CONDUCT AND LIABILITY

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

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

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

1 § 819. CONFLICT OF INTEREST

2 (a) The law applicable to conflicts of interest between a director of an
3 entity organized under Title 11A governs conflicts of interest between a
4 limited cooperative association and a director or member of a committee of the
5 board of directors.

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

9 § 820. OTHER CONSIDERATIONS OF DIRECTORS

10 Unless the articles of organization otherwise provide, in considering the
11 best interests of a limited cooperative association, a director of the association
12 in discharging the duties of director, in conjunction with considering the
13 long- and short-term interest of the association and its patron members, may
14 consider:

15 (1) the interest of employees, customers, and suppliers of the
16 association;

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

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

1 § 821. RIGHT OF DIRECTOR OR COMMITTEE MEMBER TO
2 INFORMATION

3 A director or a member of a committee appointed under section 817 of this
4 title may obtain, inspect, and copy all information regarding the state of
5 activities and financial condition of the limited cooperative association and
6 other information regarding the activities of the association if the information
7 is reasonably related to the performance of the director's duties as director or
8 the committee member's duties as a member of the committee. Information
9 obtained in accordance with this section may not be used in any manner that
10 would violate any duty of or to the association.

11 § 822. APPOINTMENT AND AUTHORITY OF OFFICERS

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

13 (1) provided in the organic rules; or

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

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

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

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

4 (e) The election or appointment of an officer of a limited cooperative
5 association does not of itself create a contract between the association and the
6 officer.

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

9 § 823. RESIGNATION AND REMOVAL OF OFFICERS

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

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

15 Article 9. Indemnification

16 § 901. INDEMNIFICATION

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

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

5 Article 10. Contributions, Allocations, and Distributions

6 § 1001. MEMBERS' CONTRIBUTIONS

7 The organic rules must establish the amount, manner, or method of
8 determining any contribution requirements for members or must authorize the
9 board of directors to establish the amount, manner, or other method of
10 determining any contribution requirements for members.

11 § 1002. CONTRIBUTION AND VALUATION

12 (a) Unless the organic rules otherwise provide, the contributions of a
13 member to a limited cooperative association may consist of tangible or
14 intangible property or other benefit to the association, including money, labor,
15 or other services performed or to be performed, promissory notes, other
16 agreements to contribute money or property, and contracts to be performed.

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

19 (c) Unless the organic rules otherwise provide, the board of directors shall
20 determine the value of a member's contributions received or to be received,
21 and the determination by the board of directors of valuation is conclusive for

1 purposes of determining whether the member's contribution obligation has
2 been met.

3 § 1003. CONTRIBUTION AGREEMENTS

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

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

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

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

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

19 (b) Unless the organic rules or an agreement to make a contribution to a
20 limited cooperative association otherwise provide, if a person does not make a
21 required contribution to an association, the person or the person's estate is

1 obligated, at the option of the association, to contribute money equal to the
2 value of the part of the contribution which has not been made.

3 § 1004. ALLOCATIONS OF PROFITS AND LOSSES

4 (a) The organic rules may provide for allocating profits of a limited
5 cooperative association among members, among persons that are not members
6 but conduct business with the association, to an unallocated account, or to any
7 combination thereof. Unless the organic rules otherwise provide, losses of the
8 association must be allocated in the same proportion as profits.

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

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

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

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

19 (d) Unless prohibited by the organic rules, in determining the profits for
20 allocation under subsections (a), (b), and (c) of this section, the board of

1 directors may first deduct and set aside a part of the profits to create or
2 accumulate:

3 (1) an unallocated capital reserve; and

4 (2) reasonable unallocated reserves for specific purposes, including
5 expansion and replacement of capital assets; education, training, cooperative
6 development; creation and distribution of information concerning principles of
7 cooperation; and community responsibility.

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

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

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

17 (f) For purposes of allocation of profits and losses or specific items of
18 profits or losses of a limited cooperative association to members, the organic
19 rules may establish allocation units or methods based on separate classes of
20 members or, for patron members, on class, function, division, district,

1 department, allocation units, pooling arrangements, members' contributions, or
2 other equitable methods.

3 § 1005. DISTRIBUTIONS

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

7 (b) Unless the organic rules otherwise provide, distributions to members
8 may be made in any form, including money, capital credits, allocated
9 patronage equities, revolving fund certificates, and the limited cooperative
10 association's own or other securities.

11 § 1006. REDEMPTION OR REPURCHASE

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

18 § 1007. LIMITATIONS ON DISTRIBUTIONS

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

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

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

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

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

12 (1) in the case of distribution by purchase, redemption, or other
13 acquisition of financial rights in the limited cooperative association, as of the
14 date money or other property is transferred or debt is incurred by the
15 association; and

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

17 (A) the distribution is authorized, if the payment occurs not later than
18 120 days after that date; or

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

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

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

9 § 1008. LIABILITY FOR IMPROPER DISTRIBUTIONS; LIMITATION OF
10 ACTION

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

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

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

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

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

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

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

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

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

15 because:

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

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

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

1 (ii) a charging order in effect under section 605 of this title which
2 has not been foreclosed;

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

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

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

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

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

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

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

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

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

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

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

9 § 1102. EFFECT OF DISSOCIATION AS MEMBER

10 (a) Upon a member's dissociation:

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

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

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

1 § 1103. POWER OF ESTATE OF MEMBER

2 Unless the organic rules provide for greater rights, if a member is
3 dissociated because of death or is expelled by reason of being adjudged
4 incompetent, the member's personal representative or other legal
5 representative may exercise the rights of a transferee of the member's financial
6 rights and, for purposes of settling the estate of a deceased member, may
7 exercise the informational rights of a current member to obtain information
8 under section 505 of this title.

9 Article 12. Dissolution

10 § 1201. DISSOLUTION AND WINDING UP

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

13 § 1202. NONJUDICIAL DISSOLUTION

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

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

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

1 (3) 90 days after the dissociation of a member, which results in the
2 association having one patron member and no other members, unless the
3 association:

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

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

8 § 1203. JUDICIAL DISSOLUTION

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

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

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

13 or

14 (B) the association has continued to exceed or abuse the authority
15 conferred upon it by law; or

16 (2) in a proceeding initiated by a member, if:

17 (A) the directors are deadlocked in the management of the
18 association's affairs, the members are unable to break the deadlock, and
19 irreparable injury to the association is occurring or is threatened because of the
20 deadlock;

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

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

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

8 § 1204. VOLUNTARY DISSOLUTION BEFORE COMMENCEMENT OF
9 ACTIVITY

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

13 § 1205. VOLUNTARY DISSOLUTION BY THE BOARD AND MEMBERS

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

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

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

20 and

21 (3) the board of directors must mail or otherwise transmit or deliver to

1 each member in a record that complies with section 508 of this title:

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

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

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

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

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

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

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

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

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

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

1 § 1206. WINDING UP

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

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

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

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

10 (3) prosecute and defend actions and proceedings;

11 (4) transfer association property; and

12 (5) perform other necessary acts.

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

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

19 (2) the applicant establishes other good cause.

20 (d) If a person is appointed pursuant to subsection (c) of this section to
21 wind up the activities of a limited cooperative association, the association shall

1 promptly deliver to the secretary of state for filing an amendment to the articles
2 of organization to reflect the appointment.

3 § 1207. DISTRIBUTION OF ASSETS IN WINDING UP LIMITED

4 COOPERATIVE ASSOCIATION

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

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

1 § 1208. KNOWN CLAIMS AGAINST DISSOLVED LIMITED

2 COOPERATIVE ASSOCIATION

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

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

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

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

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

11 (4) state the deadline for receipt of the claim, which may not be less than
12 120 days after the date the notice is received by the claimant; and

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

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

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

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

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

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

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

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

9 § 1209. OTHER CLAIMS AGAINST DISSOLVED LIMITED

10 COOPERATIVE ASSOCIATION

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

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

15 (1) be published at least once in a newspaper of general circulation in
16 the county in which the dissolved limited cooperative association's principal
17 office is located or, if the association does not have a principal office in this
18 state, in the county in which the association's designated office is or was last
19 located;

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

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

4 (c) If a dissolved limited cooperative association publishes a notice in
5 accordance with subsection (b) of this section, the claim of each of the
6 following claimants is barred unless the claimant commences an action to
7 enforce the claim not later than three years after the first publication date of the
8 notice:

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

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

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

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

16 (2) if the association's assets have been distributed in connection with
17 winding up the association's activities against a member or holder of financial
18 rights to the extent of that person's proportionate share of the claim or the
19 association's assets distributed to the person in connection with the winding
20 up, whichever is less. The person's total liability for all claims under this

1 subdivision shall not exceed the total amount of assets distributed to the person
2 as part of the winding up of the association.

3 § 1210. COURT PROCEEDING

4 (a) Upon application by a dissolved limited cooperative association that has
5 published a notice under section 1209 of this title, the superior court in the
6 county where the association's principal office is located or, if the association
7 does not have a principal office in this state where its designated office in this
8 state is located, may determine the amount and form of security to be provided
9 for payment of claims against the association that are contingent, have not been
10 made known to the association, or are based on an event occurring after the
11 effective date of dissolution but that, based on the facts known to the
12 association, are reasonably anticipated to arise after the effective date of
13 dissolution.

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

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

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

7 § 1211. ADMINISTRATIVE DISSOLUTION

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

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

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

14 (b) If the secretary of state determines that a ground exists for dissolving a
15 limited cooperative association administratively, the secretary of state shall file
16 a record of the determination and serve the association with a copy of the
17 record.

18 (c) If, not later than 60 days after service of a copy of the secretary of
19 state's determination under subsection (b) of this section, the association does
20 not correct each ground for dissolution or demonstrate to the satisfaction of the
21 secretary of state that each uncorrected ground determined by the secretary of

1 state does not exist, the secretary of state shall dissolve the association
2 administratively by preparing and filing a declaration of dissolution which
3 states the grounds for dissolution. The secretary of state shall serve the
4 association with a copy of the declaration.

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

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

10 § 1212. REINSTATEMENT FOLLOWING ADMINISTRATIVE
11 DISSOLUTION

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

16 (1) the name of the association and the effective date of its
17 administrative dissolution;

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

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

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

4 (1) prepare a declaration of reinstatement;

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

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

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

11 § 1213. DENIAL OF REINSTATEMENT; APPEAL

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

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

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

4 § 1214. STATEMENT OF DISSOLUTION

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

8 (1) the name of the association;

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

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

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

13 (1) 90 days after a statement of dissolution is filed; or

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

15 § 1215. STATEMENT OF TERMINATION

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

19 (1) the name of the association;

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

21 (3) that the association is terminated.

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

3 Article 13. Action By Member

4 § 1301. DERIVATIVE ACTION

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

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

9 (2) any of the following occur:

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

12 (B) the association notifies the member that it has rejected the
13 demand;

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

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

18 § 1302. PROPER PLAINTIFF

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

21 (1) is a member or a dissociated member at the time the action is

1 commenced and:

2 (A) was a member when the conduct giving rise to the action

3 occurred; or

4 (B) whose status as a member devolved upon the person by operation

5 of law or the organic rules from a person that was a member at the time of the

6 conduct; and

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

8 (b) If the sole plaintiff in a derivative action dies while the action is

9 pending, the court may permit another member who meets the requirements of

10 subsection (a) of this section to be substituted as plaintiff.

11 § 1303. PLEADING

12 In a derivative action to enforce a right of a limited cooperative association,

13 the complaint must state:

14 (1) the date and content of the plaintiff's demand under subdivision

15 1301(1) of this title and the association's response;

16 (2) if 90 days have not expired since the demand, how irreparable harm

17 to the association would result by waiting for the expiration of 90 days; and

18 (3) if the association agreed to bring an action demanded, that the action

19 has not been brought within a reasonable time.

1 § 1304. APPROVAL FOR DISCONTINUANCE OR SETTLEMENT

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

4 § 1305. PROCEEDS AND EXPENSES

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

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

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

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

15 Article 14. Foreign Cooperatives

16 § 1401. GOVERNING LAW

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

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

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

7 § 1402. APPLICATION FOR CERTIFICATE OF AUTHORITY

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

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

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

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

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

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

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

11 § 1403. ACTIVITIES NOT CONSTITUTING TRANSACTING BUSINESS

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

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

15 (2) holding meetings of the foreign cooperative's members or directors
16 or carrying on any other activity concerning the foreign cooperative's internal
17 affairs;

18 (3) maintaining accounts in financial institutions;

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

1 (5) selling through independent contractors;

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

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

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

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

12 (10) transacting business in interstate commerce.

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

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

1 § 1404. ISSUANCE OF CERTIFICATE OF AUTHORITY

2 Unless the secretary of state determines that an application for a certificate
3 of authority does not comply with the filing requirements of this title, the
4 secretary of state, upon payment by the foreign cooperative of all filing fees,
5 shall file the application, issue a certificate of authority, and send a copy of the
6 filed certificate, together with a receipt for the fees, to the foreign cooperative
7 or its representative.

8 § 1405. NONCOMPLYING NAME OF FOREIGN COOPERATIVE

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

19 (b) If a foreign cooperative authorized to transact business in this state
20 changes its name to one that does not comply with section 111 of this title, it

1 may not thereafter transact business in this state until it complies with
2 subsection (a) of this section and obtains an amended certificate of authority.

3 § 1406. REVOCATION OF CERTIFICATE OF AUTHORITY

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

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

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

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

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

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

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

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

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

8 § 1407. CANCELLATION OF CERTIFICATE OF AUTHORITY; EFFECT
9 OF FAILURE TO HAVE CERTIFICATE

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

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

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

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

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

8 § 1408. ACTION BY ATTORNEY GENERAL

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

11 Article 15. Disposition of Assets

12 § 1501. DISPOSITION OF ASSETS NOT REQUIRING MEMBER

13 APPROVAL

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

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

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

1 § 1502. MEMBER APPROVAL OF OTHER DISPOSITION OF ASSETS

2 A sale, lease, exchange, license, or other disposition of assets of a limited
3 cooperative association, other than a disposition described in section 1501 of
4 this title, requires approval of the association's members under sections 1503
5 and 1504 of this title if the disposition leaves the association without
6 significant continuing business activity.

7 § 1503. NOTICE AND ACTION ON DISPOSITION OF ASSETS

8 For a limited cooperative association to dispose of assets under section 1502
9 of this title:

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

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

16 (A) the terms of the proposed disposition;

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

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

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

6 § 1504. DISPOSITION OF ASSETS

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

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

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

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

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

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

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

20 (c) Subject to any contractual obligations, after a disposition of assets is
21 approved and at any time before the consummation of the disposition, a limited

1 cooperative association may approve an amendment to the contract for
2 disposition or the resolution authorizing the disposition or approve
3 abandonment of the disposition:

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

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

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

11 Article 16. Conversion and Merger

12 § 1601. DEFINITIONS

13 In this article:

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

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

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

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

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

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

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

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

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

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

1 § 1602. CONVERSION

2 (a) An entity that is not a limited cooperative association may convert to a
3 limited cooperative association and a limited cooperative association may
4 convert to an entity that is not a limited cooperative association pursuant to this
5 section, sections 1603 through 1605 of this title, and a plan of conversion, if:

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

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

9 (3) the other entity complies with its organic law in effecting the
10 conversion.

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

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

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

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

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

18 § 1603. ACTION ON PLAN OF CONVERSION BY CONVERTING

19 LIMITED COOPERATIVE ASSOCIATION

20 (a) For a limited cooperative association to convert to another entity, a plan
21 of conversion must be approved by a majority of the board of directors, or a

1 greater percentage if required by the organic rules, and the board of directors
2 must call a members' meeting to consider the plan of conversion, hold the
3 meeting not later than 90 days after approval of the plan by the board, and mail
4 or otherwise transmit or deliver in a record to each member:

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

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

11 (3) a statement of any condition of the board's submission of the plan of
12 conversion to the members; and

13 (4) notice of the meeting at which the plan of conversion will be
14 considered, which must be given in the same manner as notice of a special
15 meeting of members.

16 (b) Subject to subsections (c) and (d) of this section, a plan of conversion
17 must be approved by:

18 (1) at least two-thirds of the voting power of members present at a
19 members' meeting called under subsection (a) of this section; 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 (c) The organic rules may require that the percentage of votes under
5 subdivision (b)(1) of this section is:

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

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

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

10 (d) The vote required to approve a plan of conversion may not be less than
11 the vote required for the members of the limited cooperative association to
12 amend the articles of organization.

13 (e) Consent in a record to a plan of conversion by a member must be
14 delivered to the limited cooperative association before delivery of articles of
15 conversion for filing if as a result of the conversion, the member will have:

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

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

18 (f) Subject to subsection (e) of this section and any contractual rights, after
19 a conversion is approved and at any time before the effective date of the
20 conversion, a converting limited cooperative association may amend a plan of
21 conversion or abandon the planned conversion:

1 (1) as provided in the plan; and

2 (2) except as prohibited by the plan, by the same affirmative vote of the
3 board of directors and of the members as was required to approve the plan.

4 (g) The voting requirements for districts, classes, or voting groups under
5 section 404 of this title apply to approval of a conversion under this article.

6 § 1604. FILINGS REQUIRED FOR CONVERSION; EFFECTIVE DATE

7 (a) After a plan of conversion is approved:

8 (1) a converting limited cooperative association shall deliver to the
9 secretary of state for filing articles of conversion, which must include:

10 (A) a statement that the limited cooperative association has been
11 converted into another entity;

12 (B) the name and form of the converted entity and the jurisdiction of
13 its governing statute;

14 (C) the date the conversion is effective under the governing statute of
15 the converted entity;

16 (D) a statement that the conversion was approved as required by this
17 title;

18 (E) a statement that the conversion was approved as required by the
19 governing statute of the converted entity; and

20 (F) if the converted entity is an entity organized in a jurisdiction other
21 than this state and is not authorized to transact business in this state, the street

1 address and, if different, mailing address of an office which the secretary of
2 state may use for purposes of section 120 of this title; and

3 (2) if the converting entity is not a converting limited cooperative
4 association, the converting entity shall deliver to the secretary of state for filing
5 articles of organization, which must include, in addition to the information
6 required by section 302 of this title:

7 (A) a statement that the association was converted from another
8 entity;

9 (B) the name and form of the converting entity and the jurisdiction of
10 its governing statute; and

11 (C) a statement that the conversion was approved in a manner that
12 complied with the converting entity's governing statute.

13 (b) A conversion becomes effective:

14 (1) if the converted entity is a limited cooperative association, when the
15 articles of conversion take effect pursuant to subsection 203(c) of this title; or

16 (2) if the converted entity is not a limited cooperative association, as
17 provided by the governing statute of the converted entity.

18 § 1605. EFFECT OF CONVERSION

19 (a) An entity that has been converted pursuant to this article is for all
20 purposes the same entity that existed before the conversion and is not a new
21 entity but, after conversion, is organized under the organic law of the

1 converted entity and is subject to that law and other law as it applies to the
2 converted entity.

3 (b) When a conversion takes effect under this article:

4 (1) all property owned by the converting entity remains vested in the
5 converted entity;

6 (2) all debts, liabilities, and other obligations of the converting entity
7 continue as obligations of the converted entity;

8 (3) an action or proceeding pending by or against the converting entity
9 may be continued as if the conversion had not occurred;

10 (4) except as prohibited by other law, all the rights, privileges,
11 immunities, powers, and purposes of the converting entity remain vested in the
12 converted entity;

13 (5) except as otherwise provided in the plan of conversion, the terms and
14 conditions of the plan of conversion take effect; and

15 (6) except as otherwise provided in the plan of conversion, the
16 conversion does not dissolve a converting limited cooperative association for
17 purposes of Article 12 of this title.

18 (c) A converted entity that is an entity organized under the laws of a
19 jurisdiction other than this state consents to the jurisdiction of the courts of this
20 state to enforce any obligation owed by the converting limited cooperative
21 association if, before the conversion, the converting limited cooperative

1 association was subject to suit in this state on the obligation. A converted
2 entity that is an entity organized under the laws of a jurisdiction other than this
3 state and not authorized to transact business in this state appoints the secretary
4 of state as its agent for service of process for purposes of enforcing an
5 obligation under this subsection. Service on the secretary of state under this
6 subsection is made in the same manner and with the same consequences as
7 under subsections 120(c) and (d) of this title.

8 § 1606. MERGER

9 (a) One or more limited cooperative associations may merge with one or
10 more other entities pursuant to this article and a plan of merger if:

11 (1) the governing statute of each of the other entities authorizes the
12 merger;

13 (2) the merger is not prohibited by the law of a jurisdiction that enacted
14 any of those governing statutes; and

15 (3) each of the other entities complies with its governing statute in
16 effecting the merger.

17 (b) A plan of merger must be in a record and must include:

18 (1) the name and form of each constituent entity;

19 (2) the name and form of the surviving entity and, if the surviving entity
20 is to be created by the merger, a statement to that effect;

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

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

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

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

13 § 1607. NOTICE AND ACTION ON PLAN OF MERGER BY

14 CONSTITUENT LIMITED COOPERATIVE ASSOCIATION

15 (a) For a limited cooperative association to merge with another entity, a
16 plan of merger must be approved by a majority vote of the board of directors or
17 a greater percentage if required by the association's organic rules.

18 (b) The board of directors shall call a members' meeting to consider a plan
19 of merger approved by the board, hold the meeting not later than 90 days after
20 approval of the plan by the board, and mail or otherwise transmit or deliver in
21 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 latter 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
2 title 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 Sec. 2. EFFECTIVE DATE
- 2 This title shall take effect on passage.