

NONPROFIT CODE AMENDMENTS

2017 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Michael E. Noel

Senate Sponsor: _____

LONG TITLE

General Description:

This bill modifies the Utah Revised Nonprofit Corporation Act to allow for the transfer of water shares in a mutual benefit corporation and clarifies the property rights of a member of a nonprofit corporation.

Highlighted Provisions:

This bill:

- ▶ authorizes a member of a mutual benefit corporation to transfer membership or the rights of membership under certain circumstances;
- ▶ states that a member of, or shareholder in, a mutual benefit corporation:
 - has an undivided real property interest in the water rights, proportional to the member's or shareholder's shares, of the mutual benefit corporation; and
 - is a person entitled to the use of water under Title 73, Water and Irrigation, including the right to change the use of water; and
- ▶ makes technical changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:



28 [16-6a-606](#), as enacted by Laws of Utah 2000, Chapter 300

29 [16-6a-611](#), as last amended by Laws of Utah 2015, Chapter 240



31 *Be it enacted by the Legislature of the state of Utah:*

32 Section 1. Section **16-6a-606** is amended to read:

33 **16-6a-606. Transfers.**

34 (1) (a) Unless otherwise provided by the articles of incorporation or the bylaws, or
35 except as provided in Subsection (2), a member of a nonprofit corporation may not transfer:

36 ~~[(a)]~~ (i) a membership; or

37 ~~[(b)]~~ (ii) any right arising from a membership.

38 ~~[(2)]~~ (b) Where transfer rights have been provided, a restriction on transfer rights may
39 not be binding with respect to a member holding a membership issued prior to the adoption of
40 the restriction, unless the restriction is approved by the affected member.

41 (2) The restriction on transfer described in Subsection (1) does not apply to the transfer
42 of shares of stock in a nonprofit corporation that is also a mutual benefit corporation, as
43 defined in Section [16-6a-102](#).

44 Section 2. Section **16-6a-611** is amended to read:

45 **16-6a-611. Property rights.**

46 ~~[A member]~~ (1) Unless otherwise provided by the articles of incorporation or the
47 bylaws, or except as provided in Subsection (2), a member of a nonprofit corporation does not
48 have any vested property right in the nonprofit corporation, including any right relating to
49 management, control, purpose, or duration of the nonprofit corporation~~[-except as provided~~
50 ~~by:].~~

51 ~~[(1) the bylaws of a mutual benefit corporation; or]~~

52 ~~[(2) other applicable law.]~~

53 (2) A member or shareholder in a nonprofit corporation that is also a mutual benefit
54 corporation, as defined in Section [16-6a-102](#):

55 (a) has an undivided interest in real property, proportional to the member's or
56 shareholder's shares, in the water rights of the mutual benefit corporation; and

57 (b) is a person entitled to the use of water under Title 73, Water and Irrigation,
58 including the right to change the use of water represented by the member's or shareholder's

59 shares, as provided in Section [73-3-3](#) and subject to the requirements of Section [73-3-3.5](#).

Legislative Review Note
Office of Legislative Research and General Counsel