

## Part 11 Dissociation

### **16-16-1101 Member's dissociation.**

- (1) A person has the power to dissociate as a member at any time, rightfully or wrongfully, by express will.
- (2) Unless the organic rules otherwise provide, a member's dissociation from a limited cooperative association is wrongful only if the dissociation:
  - (a) breaches an express provision of the organic rules; or
  - (b) occurs before the termination of the limited cooperative association and:
    - (i) the person is expelled as a member under Subsection (4)(c) or (d); or
    - (ii) in the case of a person that is not an individual, trust other than a business trust, or estate, the person is expelled or otherwise dissociated as a member because it dissolved or terminated in bad faith.
- (3) Unless the organic rules otherwise provide, a person that wrongfully dissociates as a member is liable to the limited cooperative association for damages caused by the dissociation. The liability is in addition to any other debt, obligation, or liability of the person to the association.
- (4) A member is dissociated from the limited cooperative association as a member when:
  - (a) the association receives notice in a record of the member's express will to dissociate as a member, or if the member specifies in the notice an effective date later than the date the association received notice, on that later date;
  - (b) an event stated in the organic rules as causing the member's dissociation as a member occurs;
  - (c) the member is expelled as a member under the organic rules;
  - (d) the member is expelled as a member by the board of directors because:
    - (i) it is unlawful to carry on the association's activities with the member as a member;
    - (ii) there has been a transfer of all the member's financial rights in the association, other than:
      - (A) a creation or perfection of a security interest; or
      - (B) a charging order in effect under Section 16-16-505 which has not been foreclosed;
    - (iii) the member is a limited liability company, association, or partnership, it has been dissolved, and its business is being wound up;
    - (iv) the member is a corporation or cooperative and:
      - (A) the member filed a certificate of dissolution or the equivalent, or the jurisdiction of formation revoked the association's charter or right to conduct business;
      - (B) the association sends a notice to the member that it will be expelled as a member for a reason described in Subsection (4)(d)(iv)(A); and
      - (C) not later than 90 days after the notice was sent under Subsection (4)(d)(iv)(B), the member did not revoke the member's certificate of dissolution or the equivalent, or the jurisdiction of formation did not reinstate the association's charter or right to conduct business; or
    - (v) the member is an individual and is adjudged incompetent;
  - (e) in the case of a member who is an individual, the individual dies;
  - (f) in the case of a member that is a trust or is acting as a member by virtue of being a trustee of a trust, all the trust's financial rights in the association are distributed;
  - (g) in the case of a member that is an estate, the estate's entire financial interest in the association is distributed;

- (h) in the case of a member that is not an individual, partnership, limited liability company, cooperative, corporation, trust, or estate, the member is terminated; or
- (i) the association's participation in a merger if, under the plan of merger as approved under Part 16, Conversion and Merger, the member ceases to be a member.

Enacted by Chapter 363, 2008 General Session

**16-16-1102 Effect of dissociation as member.**

- (1) Upon a member's dissociation:
  - (a) subject to Section 16-16-1103, the person has no further rights as a member; and
  - (b) subject to Section 16-16-1103 and Part 16, Conversion and Merger, any financial rights owned by the person in the person's capacity as a member immediately before dissociation are owned by the person as a transferee.
- (2) A person's dissociation as a member does not of itself discharge the person from any debt, obligation, or liability to the limited cooperative association which the person incurred under the organic rules, by contract, or by other means while a member.

Enacted by Chapter 363, 2008 General Session

**16-16-1103 Power of estate of member.**

Unless the organic rules provide for greater rights, if a member is dissociated because of death, dies, or is expelled by reason of being adjudged incompetent, the member's personal representative or other legal representative may exercise the rights of a transferee of the member's financial rights and, for purposes of settling the estate of a deceased member, may exercise the informational rights of a current member to obtain information under Section 16-16-505.

Enacted by Chapter 363, 2008 General Session