

1 **UNIFORM LIMITED COOPERATIVE**
2 **ASSOCIATION ACT**

3 2008 GENERAL SESSION

4 STATE OF UTAH

5 **Chief Sponsor: Lyle W. Hillyard**

6 House Sponsor: Ben C. Ferry

8 **LONG TITLE**

9 **General Description:**

10 This bill enacts the Uniform Limited Cooperative Association Act.

11 **Highlighted Provisions:**

12 This bill:

- 13 ▶ defines terms;
- 14 ▶ addresses the nature, purpose, and duration of a limited cooperative association;
- 15 ▶ outlines the relationship of the act to other law;
- 16 ▶ provides for the adoption of various provisions governing a limited cooperative
17 association;
- 18 ▶ addresses voting within a limited cooperative association;
- 19 ▶ details the nature of membership in a limited cooperative association;
- 20 ▶ provides for meetings of a limited cooperative association;
- 21 ▶ addresses marketing contracts between the limited cooperative association and
22 another person;
- 23 ▶ outlines the qualifications, election, service, and removal of a director;
- 24 ▶ addresses liability and indemnification of a director;
- 25 ▶ establishes requirements concerning contributions, allocations, and distributions to
26 and by a limited cooperative association;
- 27 ▶ provides for the dissociation of a member of a limited cooperative association;
- 28 ▶ addresses dissolution of a limited cooperative association;
- 29 ▶ allows a derivative action by a member of a limited cooperative association;

- 30 ▶ provides for a foreign cooperative to do business in Utah;
- 31 ▶ addresses the disposition of assets by a limited cooperative association;
- 32 ▶ provides for the conversion to and from a limited cooperative association;
- 33 ▶ addresses the merger of a limited cooperative association and another entity; and
- 34 ▶ makes technical changes.

35 **Monies Appropriated in this Bill:**

36 None

37 **Other Special Clauses:**

38 None

39 **Utah Code Sections Affected:**

40 AMENDS:

41 **16-6a-207**, as enacted by Laws of Utah 2000, Chapter 300

42 ENACTS:

- 43 **3-1-46**, Utah Code Annotated 1953
- 44 **16-16-101**, Utah Code Annotated 1953
- 45 **16-16-102**, Utah Code Annotated 1953
- 46 **16-16-103**, Utah Code Annotated 1953
- 47 **16-16-104**, Utah Code Annotated 1953
- 48 **16-16-105**, Utah Code Annotated 1953
- 49 **16-16-106**, Utah Code Annotated 1953
- 50 **16-16-107**, Utah Code Annotated 1953
- 51 **16-16-108**, Utah Code Annotated 1953
- 52 **16-16-109**, Utah Code Annotated 1953
- 53 **16-16-110**, Utah Code Annotated 1953
- 54 **16-16-111**, Utah Code Annotated 1953
- 55 **16-16-112**, Utah Code Annotated 1953
- 56 **16-16-113**, Utah Code Annotated 1953
- 57 **16-16-114**, Utah Code Annotated 1953

- 58 **16-16-115**, Utah Code Annotated 1953
- 59 **16-16-116**, Utah Code Annotated 1953
- 60 **16-16-117**, Utah Code Annotated 1953
- 61 **16-16-118**, Utah Code Annotated 1953
- 62 **16-16-119**, Utah Code Annotated 1953
- 63 **16-16-120**, Utah Code Annotated 1953
- 64 **16-16-201**, Utah Code Annotated 1953
- 65 **16-16-202**, Utah Code Annotated 1953
- 66 **16-16-203**, Utah Code Annotated 1953
- 67 **16-16-204**, Utah Code Annotated 1953
- 68 **16-16-205**, Utah Code Annotated 1953
- 69 **16-16-206**, Utah Code Annotated 1953
- 70 **16-16-207**, Utah Code Annotated 1953
- 71 **16-16-208**, Utah Code Annotated 1953
- 72 **16-16-301**, Utah Code Annotated 1953
- 73 **16-16-302**, Utah Code Annotated 1953
- 74 **16-16-303**, Utah Code Annotated 1953
- 75 **16-16-304**, Utah Code Annotated 1953
- 76 **16-16-401**, Utah Code Annotated 1953
- 77 **16-16-402**, Utah Code Annotated 1953
- 78 **16-16-403**, Utah Code Annotated 1953
- 79 **16-16-404**, Utah Code Annotated 1953
- 80 **16-16-405**, Utah Code Annotated 1953
- 81 **16-16-406**, Utah Code Annotated 1953
- 82 **16-16-407**, Utah Code Annotated 1953
- 83 **16-16-501**, Utah Code Annotated 1953
- 84 **16-16-502**, Utah Code Annotated 1953
- 85 **16-16-503**, Utah Code Annotated 1953

86 **16-16-504**, Utah Code Annotated 1953
87 **16-16-505**, Utah Code Annotated 1953
88 **16-16-506**, Utah Code Annotated 1953
89 **16-16-507**, Utah Code Annotated 1953
90 **16-16-508**, Utah Code Annotated 1953
91 **16-16-509**, Utah Code Annotated 1953
92 **16-16-510**, Utah Code Annotated 1953
93 **16-16-511**, Utah Code Annotated 1953
94 **16-16-512**, Utah Code Annotated 1953
95 **16-16-513**, Utah Code Annotated 1953
96 **16-16-514**, Utah Code Annotated 1953
97 **16-16-515**, Utah Code Annotated 1953
98 **16-16-516**, Utah Code Annotated 1953
99 **16-16-517**, Utah Code Annotated 1953
100 **16-16-601**, Utah Code Annotated 1953
101 **16-16-602**, Utah Code Annotated 1953
102 **16-16-603**, Utah Code Annotated 1953
103 **16-16-604**, Utah Code Annotated 1953
104 **16-16-605**, Utah Code Annotated 1953
105 **16-16-701**, Utah Code Annotated 1953
106 **16-16-702**, Utah Code Annotated 1953
107 **16-16-703**, Utah Code Annotated 1953
108 **16-16-704**, Utah Code Annotated 1953
109 **16-16-801**, Utah Code Annotated 1953
110 **16-16-802**, Utah Code Annotated 1953
111 **16-16-803**, Utah Code Annotated 1953
112 **16-16-804**, Utah Code Annotated 1953
113 **16-16-805**, Utah Code Annotated 1953

- 114 **16-16-806**, Utah Code Annotated 1953
- 115 **16-16-807**, Utah Code Annotated 1953
- 116 **16-16-808**, Utah Code Annotated 1953
- 117 **16-16-809**, Utah Code Annotated 1953
- 118 **16-16-810**, Utah Code Annotated 1953
- 119 **16-16-811**, Utah Code Annotated 1953
- 120 **16-16-812**, Utah Code Annotated 1953
- 121 **16-16-813**, Utah Code Annotated 1953
- 122 **16-16-814**, Utah Code Annotated 1953
- 123 **16-16-815**, Utah Code Annotated 1953
- 124 **16-16-816**, Utah Code Annotated 1953
- 125 **16-16-817**, Utah Code Annotated 1953
- 126 **16-16-818**, Utah Code Annotated 1953
- 127 **16-16-819**, Utah Code Annotated 1953
- 128 **16-16-820**, Utah Code Annotated 1953
- 129 **16-16-821**, Utah Code Annotated 1953
- 130 **16-16-822**, Utah Code Annotated 1953
- 131 **16-16-823**, Utah Code Annotated 1953
- 132 **16-16-901**, Utah Code Annotated 1953
- 133 **16-16-1001**, Utah Code Annotated 1953
- 134 **16-16-1002**, Utah Code Annotated 1953
- 135 **16-16-1003**, Utah Code Annotated 1953
- 136 **16-16-1004**, Utah Code Annotated 1953
- 137 **16-16-1005**, Utah Code Annotated 1953
- 138 **16-16-1006**, Utah Code Annotated 1953
- 139 **16-16-1007**, Utah Code Annotated 1953
- 140 **16-16-1008**, Utah Code Annotated 1953
- 141 **16-16-1009**, Utah Code Annotated 1953

142 **16-16-1101**, Utah Code Annotated 1953
143 **16-16-1102**, Utah Code Annotated 1953
144 **16-16-1103**, Utah Code Annotated 1953
145 **16-16-1201**, Utah Code Annotated 1953
146 **16-16-1202**, Utah Code Annotated 1953
147 **16-16-1203**, Utah Code Annotated 1953
148 **16-16-1204**, Utah Code Annotated 1953
149 **16-16-1205**, Utah Code Annotated 1953
150 **16-16-1206**, Utah Code Annotated 1953
151 **16-16-1207**, Utah Code Annotated 1953
152 **16-16-1208**, Utah Code Annotated 1953
153 **16-16-1209**, Utah Code Annotated 1953
154 **16-16-1210**, Utah Code Annotated 1953
155 **16-16-1211**, Utah Code Annotated 1953
156 **16-16-1212**, Utah Code Annotated 1953
157 **16-16-1213**, Utah Code Annotated 1953
158 **16-16-1214**, Utah Code Annotated 1953
159 **16-16-1215**, Utah Code Annotated 1953
160 **16-16-1301**, Utah Code Annotated 1953
161 **16-16-1302**, Utah Code Annotated 1953
162 **16-16-1303**, Utah Code Annotated 1953
163 **16-16-1304**, Utah Code Annotated 1953
164 **16-16-1305**, Utah Code Annotated 1953
165 **16-16-1401**, Utah Code Annotated 1953
166 **16-16-1402**, Utah Code Annotated 1953
167 **16-16-1403**, Utah Code Annotated 1953
168 **16-16-1404**, Utah Code Annotated 1953
169 **16-16-1405**, Utah Code Annotated 1953

- 170 **16-16-1406**, Utah Code Annotated 1953
- 171 **16-16-1407**, Utah Code Annotated 1953
- 172 **16-16-1408**, Utah Code Annotated 1953
- 173 **16-16-1501**, Utah Code Annotated 1953
- 174 **16-16-1502**, Utah Code Annotated 1953
- 175 **16-16-1503**, Utah Code Annotated 1953
- 176 **16-16-1504**, Utah Code Annotated 1953
- 177 **16-16-1601**, Utah Code Annotated 1953
- 178 **16-16-1602**, Utah Code Annotated 1953
- 179 **16-16-1603**, Utah Code Annotated 1953
- 180 **16-16-1604**, Utah Code Annotated 1953
- 181 **16-16-1605**, Utah Code Annotated 1953
- 182 **16-16-1606**, Utah Code Annotated 1953
- 183 **16-16-1607**, Utah Code Annotated 1953
- 184 **16-16-1608**, Utah Code Annotated 1953
- 185 **16-16-1609**, Utah Code Annotated 1953
- 186 **16-16-1610**, Utah Code Annotated 1953
- 187 **16-16-1611**, Utah Code Annotated 1953
- 188 **16-16-1612**, Utah Code Annotated 1953
- 189 **16-16-1701**, Utah Code Annotated 1953
- 190 **16-16-1702**, Utah Code Annotated 1953
- 191 **16-16-1703**, Utah Code Annotated 1953

192

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

194 Section 1. Section **3-1-46** is enacted to read:

195 **3-1-46. Conversion to a limited cooperative association.**

196 An association under this title may convert to a limited cooperative association under
197 Title 16, Chapter 16, Uniform Limited Cooperative Association Act, by complying with that

198 chapter.

199 Section 2. Section **16-6a-207** is amended to read:

200 **16-6a-207. Incorporation of cooperative association.**

201 (1) (a) If a cooperative association meets the requirements of Subsection (1)(b), it may:

202 (i) be incorporated under this chapter; and

203 (ii) use the word "cooperative" as part of its corporate or business name.

204 (b) A cooperative association described in Subsection (1)(a):

205 (i) may not be:

206 (A) an association subject to the insurance or credit union laws of this state;

207 (B) a health insurance purchasing association as defined in Section 31A-34-103; or

208 (C) a health insurance purchasing alliance licensed under Title 31A, Chapter 34,

209 Voluntary Health Insurance Purchasing Alliance Act; and

210 (ii) shall state in its articles of incorporation that:

211 (A) a member may not have more than one vote regardless of the number or amount of

212 stock or membership capital owned by the member unless voting is based in whole or in part on

213 the volume of patronage of the member with the cooperative association; and

214 (B) savings in excess of dividends and additions to reserves and surplus shall be

215 distributed or allocated to members or patrons on the basis of patronage.

216 (2) (a) Any cooperative association incorporated in accordance with Subsection (1):

217 (i) [~~shall have~~] has all the rights and [~~be~~] is subject to the limitations provided in Section

218 3-1-11; and

219 (ii) may pay dividends on its stock, if it has stock, subject to the limitations of Section

220 3-1-11.

221 (b) The articles of incorporation or the bylaws of a cooperative association

222 incorporated in accordance with Subsection (1) may provide for:

223 (i) the establishment and alteration of voting districts;

224 (ii) the election of delegates to represent:

225 (A) the districts described in Subsection (2)(b)(i); and

- 226 (B) the members of the districts described in Subsection (2)(b)(i);
- 227 (iii) the establishment and alteration of director districts; and
- 228 (iv) the election of directors to represent the districts described in Subsection (2)(b)(ii)

229 by:

- 230 (A) the members of the districts; or
- 231 (B) delegates elected by the members.

232 (3) (a) A corporation organized under Title 3, [~~Chapter 4,~~] Uniform Agricultural
 233 Cooperative Association Act, or Title 16, Chapter 16, Uniform Limited Cooperative
 234 Association Act, may convert itself into a cooperative association subject to this chapter by
 235 adopting appropriate amendments to its articles of incorporation by which:

- 236 (i) it elects to become subject to this chapter; and
- 237 (ii) makes changes in its articles of incorporation that are:
 - 238 (A) required by this chapter; and
 - 239 (B) any other changes permitted by this chapter.

240 (b) The amendments described in Subsection (3)(a) shall be adopted and filed in the
 241 manner provided by the law then applicable to the cooperative nonprofit corporation.

242 (4) Notwithstanding Subsection (1), a health insurance purchasing association may not
 243 use the word "cooperative" or "alliance" but may use the word "association."

244 (5) Except as otherwise provided in this section [~~16-6a-207~~], a cooperative nonprofit
 245 corporation [~~shall be~~] is subject to this chapter.

246 (6) A corporation that is a cooperative under this chapter may convert to a limited
 247 cooperative association under Title 16, Chapter 16, Uniform Limited Cooperative Association
 248 Act, by complying with that chapter.

249 Section 3. Section **16-16-101** is enacted to read:

CHAPTER 16. UNIFORM LIMITED COOPERATIVE ASSOCIATION ACT

Part 1. General Provisions

16-16-101. Title.

This chapter is known as the "Uniform Limited Cooperative Association Act."

254 Section 4. Section **16-16-102** is enacted to read:

255 **16-16-102. Definitions.**

256 In this chapter:

257 (1) "Articles of organization" means the articles of organization of a limited cooperative
258 association required by Section 16-16-302. The term includes the articles as amended or
259 restated.

260 (2) "Board of directors" means the board of directors of a limited cooperative
261 association.

262 (3) "Bylaws" means the bylaws of a limited cooperative association. The term includes
263 the bylaws as amended or restated.

264 (4) "Certificate of authority" means a certificate issued by the division for a foreign
265 cooperative to transact business in this state.

266 (5) "Contribution," except as used in Subsection 16-16-1008(3), means a benefit that a
267 person provides to a limited cooperative association to become or remain a member or in the
268 person's capacity as a member.

269 (6) "Cooperative" means a limited cooperative association or an entity organized under
270 any cooperative law of any jurisdiction.

271 (7) "Designated office" means the office that a limited cooperative association or a
272 foreign cooperative is required to designate and maintain under Subsection 16-16-117(1)(a).

273 (8) "Director" means a director of a limited cooperative association.

274 (9) "Distribution," except as used in Subsection 16-16-1007(5), means a transfer of
275 money or other property from a limited cooperative association to a member because of the
276 member's financial rights or to a transferee of a member's financial rights.

277 (10) "Division" means the Division of Corporations and Commercial Code.

278 (11) "Entity" means a person other than an individual.

279 (12) "Financial rights" means the right to participate in allocations and distributions as
280 provided in Part 10, Contributions, Allocations, and Distributions, and Part 12, Dissolution, but
281 does not include rights or obligations under a marketing contract governed by Part 7, Marketing

282 Contracts.

283 (13) "Foreign cooperative" means an entity organized in a jurisdiction other than this
284 state under a law similar to this chapter.

285 (14) "Governance rights" means the right to participate in governance of a limited
286 cooperative association.

287 (15) "Investor member" means a member that has made a contribution to a limited
288 cooperative association and:

289 (a) is not required by the organic rules to conduct patronage with the association in the
290 member's capacity as an investor member in order to receive the member's interest; or

291 (b) is not permitted by the organic rules to conduct patronage with the association in
292 the member's capacity as an investor member in order to receive the member's interest.

293 (16) "Limited cooperative association" means an association organized under this
294 chapter.

295 (17) "Member" means a person that is admitted as a patron member or investor
296 member, or both, in a limited cooperative association. The term does not include a person that
297 has dissociated as a member.

298 (18) "Member's interest" means the interest of a patron member or investor member
299 under Section 16-16-601.

300 (19) "Members meeting" means an annual members meeting or special meeting of
301 members.

302 (20) "Organic law" means the statute providing for the creation of an entity or
303 principally governing its internal affairs.

304 (21) "Organic rules" means the articles of organization and bylaws of a limited
305 cooperative association.

306 (22) "Organizer" means an individual who signs the initial articles of organization.

307 (23) "Patron member" means a member that has made a contribution to a limited
308 cooperative association and:

309 (a) is required by the organic rules to conduct patronage with the association in the

310 member's capacity as a patron member in order to receive the member's interest; or

311 (b) is permitted by the organic rules to conduct patronage with the association in the
312 member's capacity as a patron member in order to receive the member's interest.

313 (24) "Patronage" means business transactions between a limited cooperative association
314 and a person which entitle the person to receive financial rights based on the value or quantity
315 of business done between the association and the person.

316 (25) "Person" means an individual, corporation, business trust, cooperative, estate,
317 trust, partnership, limited partnership, limited liability company, limited cooperative association,
318 joint venture, association, public corporation, government or governmental subdivision, agency,
319 or instrumentality, or any other legal or commercial entity.

320 (26) "Principal office" means the principal executive office of a limited cooperative
321 association or foreign cooperative, whether or not in this state.

322 (27) "Record," used as a noun, means information that is inscribed on a tangible
323 medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

324 (28) "Required information" means the information a limited cooperative association is
325 required to maintain under Section 16-16-114.

326 (29) "Sign" means, with present intent to authenticate or adopt a record:

327 (a) to execute or adopt a tangible symbol; or

328 (b) to attach to or logically associate with the record an electronic symbol, sound, or
329 process.

330 (30) "State" means a state of the United States, the District of Columbia, Puerto Rico,
331 the United States Virgin Islands, or any territory or insular possession subject to the jurisdiction
332 of the United States.

333 (31) "Transfer" includes an assignment, conveyance, deed, bill of sale, lease, mortgage,
334 security interest, encumbrance, gift, and transfer by operation of law.

335 (32) "Voting group" means any combination of one or more voting members in one or
336 more districts or classes that under the organic rules or this chapter are entitled to vote and can
337 be counted together collectively on a matter at a members meeting.

338 (33) "Voting member" means a member that, under the organic law or organic rules,
339 has a right to vote on matters subject to vote by members under the organic law or organic
340 rules.

341 (34) "Voting power" means the total current power of members to vote on a particular
342 matter for which a vote may or is to be taken.

343 Section 5. Section **16-16-103** is enacted to read:

344 **16-16-103. Limited cooperative association subject to amendment or repeal of**
345 **chapter.**

346 A limited cooperative association governed by this chapter is subject to any amendment
347 or repeal of this chapter.

348 Section 6. Section **16-16-104** is enacted to read:

349 **16-16-104. Nature of limited cooperative association.**

350 (1) A limited cooperative association organized under this chapter is an autonomous,
351 unincorporated association of persons united to meet their mutual interests through a jointly
352 owned enterprise primarily controlled by those persons, which permits combining:

353 (a) ownership, financing, and receipt of benefits by the members for whose interests the
354 association is formed; and

355 (b) separate investments in the association by members who may receive returns on
356 their investments and a share of control.

357 (2) The fact that a limited cooperative association does not have one or more of the
358 characteristics described in Subsection (1) does not alone prevent the association from being
359 formed under and governed by this chapter nor does it alone provide a basis for an action
360 against the association.

361 Section 7. Section **16-16-105** is enacted to read:

362 **16-16-105. Purpose and duration of limited cooperative association.**

363 (1) A limited cooperative association is an entity distinct from its members.

364 (2) A limited cooperative association may be organized for any lawful purpose, whether
365 or not for profit, except for the operation of a financial institution as defined in Section 7-1-103.

366 (3) Unless the articles of organization state a term for a limited cooperative
367 association's existence, the association has perpetual duration.

368 Section 8. Section **16-16-106** is enacted to read:

369 **16-16-106. Powers.**

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

374 Section 9. Section **16-16-107** is enacted to read:

375 **16-16-107. Governing law.**

376 The law of this state governs:

377 (1) the internal affairs of a limited cooperative association; and

378 (2) the liability of a member as member and a director as director for the debts,

379 obligations, or other liabilities of a limited cooperative association.

380 Section 10. Section **16-16-108** is enacted to read:

381 **16-16-108. Supplemental principles of law.**

382 Unless displaced by particular provisions of this chapter, the principles of law and equity
383 supplement this chapter.

384 Section 11. Section **16-16-109** is enacted to read:

385 **16-16-109. Requirements of other laws.**

386 (1) This chapter does not alter or amend any law that governs the licensing and
387 regulation of an individual or entity in carrying on a specific business or profession even if that
388 law permits the business or profession to be conducted by a limited cooperative association, a
389 foreign cooperative, or its members.

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

394 Section 12. Section **16-16-110** is enacted to read:

395 **16-16-110. Relation to restraint of trade and antitrust laws.**

396 To the extent a limited cooperative association or activities conducted by the association
397 in this state meet the material requirements for other cooperatives entitled to an exemption from
398 or immunity under any provision of the restraint of trade or antitrust laws of this state, the
399 association and its activities are entitled to the exemption or immunity. This section does not
400 create any new exemption or immunity for an association or affect any exemption or immunity
401 provided to a cooperative organized under any other law.

402 Section 13. Section **16-16-111** is enacted to read:

403 **16-16-111. Name.**

404 (1) Use of the term "cooperative" or its abbreviation under this chapter is not a
405 violation of the provisions restricting the use of the term under any other law of this state.

406 (2) Notwithstanding Section 48-2a-102, the name of a limited cooperative association
407 must contain the words "limited cooperative association" or "limited cooperative" or the
408 abbreviation "L.C.A." or "LCA". "Limited" may be abbreviated as "Ltd.". "Cooperative" may
409 be abbreviated as "Co-op" or "Coop". "Association" may be abbreviated as "Assoc." or
410 "Assn.". Use of the term "cooperative" or its abbreviation as permitted by this chapter is not a
411 violation of the provisions restricting the use of the term under any other law of this state. A
412 limited cooperative association or a member may enforce the restrictions on the use of the term
413 "cooperative" under this chapter and any other law of this state. A limited cooperative
414 association or a member may enforce the restrictions on the use of the term "cooperative" under
415 any other law of this state.

416 (3) Except as otherwise provided in Subsection (4), a limited cooperative association
417 may use only a name that is available. A name is available if it is distinguishable in the records
418 of the division from:

- 419 (a) the name of any entity organized or authorized to transact business in this state;
- 420 (b) a name reserved under Section 16-16-112; and
- 421 (c) an alternative name approved for a foreign cooperative authorized to transact

422 business in this state.

423 (4) A limited cooperative association may apply to the division for authorization to use
424 a name that is not available. The division shall authorize use of the name if:

425 (a) the person with ownership rights to use the name consents in a record to the use and
426 applies in a form satisfactory to the division to change the name used or reserved to a name that
427 is distinguishable upon the records of the division from the name applied for; or

428 (b) the applicant delivers to the division a certified copy of the final judgment of a court
429 establishing the applicant's right to use the name in this state.

430 Section 14. Section **16-16-112** is enacted to read:

431 **16-16-112. Reservation of name.**

432 (1) A person may reserve the exclusive use of the name of a limited cooperative
433 association, including a fictitious name for a foreign cooperative whose name is not available
434 under Section 16-16-111, by delivering an application to the division for filing. The application
435 must set forth the name and address of the applicant and the name proposed to be reserved. If
436 the division finds that the name applied for is available under Section 16-16-111, the division
437 shall reserve the name for the applicant's exclusive use for a nonrenewable period of 120 days.

438 (2) A person that has reserved a name for a limited cooperative association may transfer
439 the reservation to another person by delivering to the division a signed notice of the transfer
440 which states the name, street address, and, if different, the mailing address of the transferee. If
441 the person is an organizer of the association and the name of the association is the same as the
442 reserved name, the delivery of articles of organization for filing by the division is a transfer by
443 the person to the association.

444 Section 15. Section **16-16-113** is enacted to read:

445 **16-16-113. Effect of organic rules.**

446 (1) The relations between a limited cooperative association and its members are
447 consensual. Unless required, limited, or prohibited by this chapter, the organic rules may
448 provide for any matter concerning the relations among the members of the association and
449 between the members and the association, the activities of the association, and the conduct of its

450 activities.

451 (2) The matters referred to in Subsections (2)(a) through (i) may be varied only in the
452 articles of organization. The articles may:

453 (a) state a term of existence for the association under Subsection 16-16-105(3);

454 (b) limit or eliminate the acceptance of new or additional members by the initial board
455 of directors under Subsection 16-16-303(2);

456 (c) vary the limitations on the obligations and liability of members for association
457 obligations under Section 16-16-504;

458 (d) require a notice of an annual members meeting to state a purpose of the meeting
459 under Subsection 16-16-508(2);

460 (e) vary the board of directors meeting quorum under Subsection 16-16-815(1);

461 (f) vary the matters the board of directors may consider in making a decision under
462 Section 16-16-820;

463 (g) specify causes of dissolution under Subsection 16-16-1202(1);

464 (h) delegate amendment of the bylaws to the board of directors pursuant to Subsection
465 16-16-405(6);

466 (i) provide for member approval of asset dispositions under Subsection 16-16-1501;

467 and

468 (j) provide for any matters that may be contained in the organic rules, including those
469 under Subsection (3).

470 (3) The matters referred to in Subsections (3)(a) through (y) may be varied only in the
471 organic rules. The organic rules may:

472 (a) require more information to be maintained under Section 16-16-114 or provided to
473 members under Subsection 16-16-505(11);

474 (b) provide restrictions on transactions between a member and an association under
475 Section 16-16-115;

476 (c) provide for the percentage and manner of voting on amendments to the organic
477 rules by district, class, or voting group under Subsection 16-16-404(1);

- 478 (d) provide for the percentage vote required to amend the bylaws concerning the
479 admission of new members under Subsection 16-16-405(5)(e);
- 480 (e) provide for terms and conditions to become a member under Section 16-16-502;
481 (f) restrict the manner of conducting members meetings under Subsections
482 16-16-506(3) and 16-16-507(5);
- 483 (g) designate the presiding officer of members meetings under Subsections
484 16-16-506(5) and 16-16-507(7);
- 485 (h) require a statement of purposes in the annual meeting notice under Subsection
486 16-16-508(2);
- 487 (i) increase quorum requirements for members meetings under Section 16-16-510 and
488 board of directors meetings under Section 16-16-815;
- 489 (j) allocate voting power among members, including patron members and investor
490 members, and provide for the manner of member voting and action as permitted by Sections
491 16-16-511 through 16-16-517;
- 492 (k) authorize investor members and expand or restrict the transferability of members'
493 interests to the extent provided in Sections 16-16-602 through 16-16-604;
- 494 (l) provide for enforcement of a marketing contract under Subsection 16-16-704(1);
495 (m) provide for qualification, election, terms, removal, filling vacancies, and member
496 approval for compensation of directors in accordance with Sections 16-16-803 through
497 16-16-805, 16-16-807, 16-16-809, and 16-16-810;
- 498 (n) restrict the manner of conducting board meetings and taking action without a
499 meeting under Sections 16-16-811 and 16-16-812;
- 500 (o) provide for frequency, location, notice and waivers of notice for board meetings
501 under Sections 16-16-813 and 16-16-814;
- 502 (p) increase the percentage of votes necessary for board action under Subsection
503 16-16-816(2);
- 504 (q) provide for the creation of committees of the board of directors and matters related
505 to the committees in accordance with Section 16-16-817;

506 (r) provide for officers and their appointment, designation, and authority under Section
 507 16-16-822;

508 (s) provide for forms and values of contributions under Section 16-16-1002;

509 (t) provide for remedies for failure to make a contribution under Subsection
 510 16-16-1003(2);

511 (u) provide for the allocation of profits and losses of the association, distributions, and
 512 the redemption or repurchase of distributed property other than money in accordance with
 513 Sections 16-16-1004 through 16-16-1007;

514 (v) specify when a member's dissociation is wrongful and the liability incurred by the
 515 dissociating member for damage to the association under Subsections 16-16-1101(2) and (3);

516 (w) provide the personal representative, or other legal representative of, a deceased
 517 member or a member adjudged incompetent with additional rights under Section 16-16-1103;

518 (x) increase the percentage of votes required for board of director approval of:

519 (i) a resolution to dissolve under Subsection 16-16-1205(1)(a);

520 (ii) a proposed amendment to the organic rules under Subsection 16-16-402(1)(a);

521 (iii) a plan of conversion under Subsection 16-16-1603(1);

522 (iv) a plan of merger under Subsection 16-16-1607(1); and

523 (v) a proposed disposition of assets under Subsection 16-16-1503(1); and

524 (y) vary the percentage of votes required for members' approval of:

525 (i) a resolution to dissolve under Section 16-16-1205;

526 (ii) an amendment to the organic rules under Section 16-16-405;

527 (iii) a plan of conversion under Section 16-16-1603;

528 (iv) a plan of merger under Section 16-16-1608; and

529 (v) a disposition of assets under Section 16-16-1504.

530 (4) The organic rules must address members' contributions pursuant to Section
 531 16-16-1001.

532 Section 16. Section **16-16-114** is enacted to read:

533 **16-16-114. Required information.**

- 534 (1) Subject to Subsection (2), a limited cooperative association shall maintain in a
535 record available at its principal office:
- 536 (a) a list containing the name, last known street address and, if different, mailing
537 address, and term of office of each director and officer;
- 538 (b) the initial articles of organization and all amendments to and restatements of the
539 articles, together with a signed copy of any power of attorney under which any article,
540 amendment, or restatement has been signed;
- 541 (c) the initial bylaws and all amendments to and restatements of the bylaws;
- 542 (d) all filed articles of merger and statements of conversion;
- 543 (e) all financial statements of the association for the six most recent years;
- 544 (f) the six most recent annual reports delivered by the association to the division;
- 545 (g) the minutes of members meetings for the six most recent years;
- 546 (h) evidence of all actions taken by members without a meeting for the six most recent
547 years;
- 548 (i) a list containing:
- 549 (i) the name, in alphabetical order, and last known street address and, if different,
550 mailing address of each patron member and each investor member; and
- 551 (ii) if the association has districts or classes of members, information from which each
552 current member in a district or class may be identified;
- 553 (j) the federal income tax returns, any state and local income tax returns, and any tax
554 reports of the association for the six most recent years;
- 555 (k) accounting records maintained by the association in the ordinary course of its
556 operations for the six most recent years;
- 557 (l) the minutes of directors meetings for the six most recent years;
- 558 (m) evidence of all actions taken by directors without a meeting for the six most recent
559 years;
- 560 (n) the amount of money contributed and agreed to be contributed by each member;
- 561 (o) a description and statement of the agreed value of contributions other than money

562 made and agreed to be made by each member;

563 (p) the times at which, or events on the happening of which, any additional contribution
564 is to be made by each member;

565 (q) for each member, a description and statement of the member's interest or
566 information from which the description and statement can be derived; and

567 (r) all communications concerning the association made in a record to all members, or
568 to all members in a district or class, for the six most recent years.

569 (2) If a limited cooperative association has existed for less than the period for which
570 records must be maintained under Subsection (1), the period records must be kept is the period
571 of the association's existence.

572 (3) The organic rules may require that more information be maintained.

573 Section 17. Section **16-16-115** is enacted to read:

574 **16-16-115. Business transactions of member with limited cooperative association.**

575 Subject to Sections 16-16-818 and 16-16-819 and except as otherwise provided in the
576 organic rules or a specific contract relating to a transaction, a member may lend money to and
577 transact other business with a limited cooperative association in the same manner as a person
578 that is not a member.

579 Section 18. Section **16-16-116** is enacted to read:

580 **16-16-116. Dual capacity.**

581 A person may have both a patron member's interest and an investor member's interest.

582 When such person acts as a patron member, the person is subject to this chapter and the organic
583 rules governing patron members. When such person acts as an investor member, the person is
584 subject to this chapter and the organic rules governing investor members.

585 Section 19. Section **16-16-117** is enacted to read:

586 **16-16-117. Designated office and agent for service of process.**

587 (1) A limited cooperative association, or a foreign cooperative that has a certificate of
588 authority under Section 16-16-1404, shall designate and continuously maintain in this state:

589 (a) an office, as its designated office, which need not be a place of the association's or

590 foreign cooperative's activity in this state; and

591 (b) an agent for service of process at the designated office.

592 (2) An agent for service of process of a limited cooperative association or foreign
593 cooperative must be an individual who is a resident of this state or an entity that is authorized to
594 do business in this state.

595 Section 20. Section **16-16-118** is enacted to read:

596 **16-16-118. Change of designated office or agent for service of process.**

597 (1) Except as otherwise provided in Subsection 16-16-207(5), to change its designated
598 office, its agent for service of process, or the street address or, if different, mailing address of its
599 principal office, a limited cooperative association must deliver to the division for filing a
600 statement of change containing:

601 (a) the name of the limited cooperative association;

602 (b) the street address and, if different, mailing address of its designated office;

603 (c) if the designated office is to be changed, the street address and, if different, mailing
604 address of the new designated office;

605 (d) the name of its agent for service of process; and

606 (e) if the agent for service of process is to be changed, the name of the new agent.

607 (2) Except as otherwise provided in Subsection 16-16-207(5), to change its agent for
608 service of process, the address of its designated office, or the street address or, if different,
609 mailing address of its principal office, a foreign cooperative shall deliver to the division for filing
610 a statement of change containing:

611 (a) the name of the foreign cooperative;

612 (b) the name, street address and, if different, mailing address of its designated office;

613 (c) if the current agent for service of process or an address of the designated office is to
614 be changed, the new information;

615 (d) the street address and, if different, mailing address of its principal office; and

616 (e) if the street address or, if different, the mailing address of its principal office is to be
617 changed, the street address and, if different, the mailing address of the new principal office.

618 (3) Except as otherwise provided in Section 16-16-204, a statement of change is
619 effective when filed by the division.

620 Section 21. Section **16-16-119** is enacted to read:

621 **16-16-119. Resignation of agent for service of process.**

622 (1) To resign as an agent for service of process of a limited cooperative association or
623 foreign cooperative, the agent must deliver to the division for filing a statement of resignation
624 containing the name of the agent and the name of the association or foreign cooperative.

625 (2) After receiving a statement of resignation under Subsection (1), the division shall
626 file it and mail or otherwise provide or deliver a copy to the limited cooperative association or
627 foreign cooperative at its principal office.

628 (3) An agency for service of process of a limited cooperative association or foreign
629 cooperative terminates on the earlier of:

630 (a) the 31st day after the division files a statement of resignation under Subsection (2);

631 or

632 (b) when a record designating a new agent for service of process is delivered to the
633 division for filing on behalf of the association or foreign cooperative and becomes effective.

634 Section 22. Section **16-16-120** is enacted to read:

635 **16-16-120. Service of process.**

636 (1) An agent for service of process appointed by a limited cooperative association or
637 foreign cooperative is an agent of the association or foreign cooperative for service of process,
638 notice, or a demand required or permitted by law to be served upon the association or foreign
639 cooperative.

640 (2) If a limited cooperative association or foreign cooperative does not appoint or
641 maintain an agent for service of process in this state or the agent for service of process cannot
642 with reasonable diligence be found at the address of the designated office on file with the
643 division, the division is an agent of the association or foreign cooperative upon which process,
644 notice, or a demand may be served.

645 (3) Service of process, notice, or a demand on the division as agent of a limited

646 cooperative association or foreign cooperative may be made by delivering to the division two
647 copies of the process, notice, or demand. The division shall forward one copy by registered or
648 certified mail, return receipt requested, to the association or foreign cooperative at its principal
649 office.

650 (4) Service is effected under Subsection (3) on the earliest of:

651 (a) the date the limited cooperative association or foreign cooperative receives the
652 process, notice, or demand;

653 (b) the date shown on the return receipt, if signed on behalf of the association or foreign
654 cooperative; or

655 (c) five days after the process, notice, or demand is deposited by the division for
656 delivery by the United States Postal Service, if mailed postage prepaid to the address of the
657 principal office on file with the division.

658 (5) The division shall keep a record of each process, notice, and demand served
659 pursuant to this section and record the time of, and the action taken regarding, the service.

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

662 Section 23. Section **16-16-201** is enacted to read:

663 **Part 2. Filing and Annual Reports**

664 **16-16-201. Signing of records delivered for filing to division.**

665 (1) A record delivered to the division for filing pursuant to this chapter must be signed
666 as follows:

667 (a) The initial articles of organization must be signed by at least one organizer.

668 (b) A statement of cancellation under Subsection 16-16-302(4) must be signed by at
669 least one organizer.

670 (c) Except as otherwise provided in Subsection (1)(d), a record signed on behalf of an
671 existing limited cooperative association must be signed by an officer.

672 (d) A record filed on behalf of a dissolved association must be signed by a person
673 winding up activities under Section 16-16-1206 or a person appointed under Section

674 16-16-1206 to wind up those activities.

675 (e) Any other record must be signed by the person on whose behalf the record is
676 delivered to the division.

677 (2) Any record to be signed under this chapter may be signed by an authorized agent.

678 Section 24. Section **16-16-202** is enacted to read:

679 **16-16-202. Signing and filing of records pursuant to judicial order.**

680 (1) If a person required by this chapter to sign or deliver a record to the division for
681 filing does not do so, the district court, upon petition of an aggrieved person, may order:

682 (a) the person to sign the record and deliver it to the division for filing; or

683 (b) delivery of the unsigned record to the division for filing.

684 (2) An aggrieved person under Subsection (1), other than the limited cooperative
685 association or foreign cooperative to which the record pertains, shall make the association or
686 foreign cooperative a party to the action brought to obtain the order.

687 (3) An unsigned record filed pursuant to this section is effective.

688 Section 25. Section **16-16-203** is enacted to read:

689 **16-16-203. Delivery to and filing of records by division -- Effective time and date.**

690 (1) A record authorized or required by this chapter to be delivered to the division for
691 filing must be captioned to describe the record's purpose, be in a medium and format permitted
692 by the division, and be delivered to the division. If the filing fees have been paid, and unless the
693 division determines that the record does not comply with the filing requirements of this chapter,
694 the division shall file the record.

695 (2) The division, upon request and payment of the required fee, shall furnish a certified
696 copy of any record filed by the division under this chapter to the person making the request.

697 (3) Except as otherwise provided in Sections 16-16-118 and 16-16-204, a record
698 delivered to the division for filing under this chapter may specify an effective time and a delayed
699 effective date that may include an effective time on that date. Except as otherwise provided in
700 Sections 16-16-118 and 16-16-204, a record filed by the division under this chapter is effective:

701 (a) if the record does not specify an effective time and does not specify a delayed

702 effective date, on the date and at the time the record is filed as evidenced by the division's
703 endorsement of the date and time on the record;

704 (b) if the record specifies an effective time but not a delayed effective date, on the date
705 the record is filed at the time specified in the record;

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

708 (i) the specified date; or

709 (ii) the 90th day after the record is filed; or

710 (d) if the record specifies an effective time and a delayed effective date, at the specified
711 time on the earlier of:

712 (i) the specified date; or

713 (ii) the 90th day after the record is filed.

714 Section 26. Section **16-16-204** is enacted to read:

715 **16-16-204. Correcting filed record.**

716 (1) A limited cooperative association or foreign cooperative may deliver to the division
717 for filing a statement of correction to correct a record previously delivered by the association or
718 foreign cooperative to the division and filed by the division if, at the time of filing, the record
719 contained inaccurate information or was defectively signed.

720 (2) A statement of correction may not state a delayed effective date and must:

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

723 (b) specify the inaccurate information and the reason it is inaccurate or the manner in
724 which the signing was defective; and

725 (c) correct the inaccurate information or defective signature.

726 (3) When filed by the division, a statement of correction is effective:

727 (a) when filed as to persons relying on the inaccurate information or defective signature
728 before its correction and adversely affected by the correction; and

729 (b) as to all other persons, retroactively as of the effective date and time of the record

730 the statement corrects.

731 Section 27. Section **16-16-205** is enacted to read:

732 **16-16-205. Liability for inaccurate information in filed record.**

733 If a record delivered to the division for filing under this chapter and filed by the division
734 contains inaccurate information, a person that suffers a loss by reliance on the information may
735 recover damages for the loss from a person that signed the record or caused another to sign it
736 on the person's behalf and knew at the time the record was signed that the information was
737 inaccurate.

738 Section 28. Section **16-16-206** is enacted to read:

739 **16-16-206. Certificate of good standing or authorization.**

740 (1) The division, upon request and payment of the required fee, shall furnish any person
741 that requests it a certificate of good standing for a limited cooperative association if the records
742 filed in the office of the division show that the division has filed the association's articles of
743 organization, that the association is in good standing, and that the division has not filed a
744 statement of termination.

745 (2) The division, upon request and payment of the required fee, shall furnish to any
746 person that requests it a certificate of authority for a foreign cooperative if the records filed in
747 the office of the division show that the division has filed the foreign cooperative's certificate of
748 authority, has not revoked nor has reason to revoke the certificate of authority, and has not filed
749 a notice of cancellation.

750 (3) Subject to any exceptions stated in the certificate, a certificate of good standing or
751 authority issued by the division establishes conclusively that the limited cooperative association
752 or foreign cooperative is in good standing or is authorized to transact business in this state.

753 Section 29. Section **16-16-207** is enacted to read:

754 **16-16-207. Annual report for division.**

755 (1) A limited cooperative association or foreign cooperative authorized to transact
756 business in this state shall deliver to the division for filing an annual report that states:

757 (a) the name of the association or foreign cooperative;

758 (b) the street address and, if different, mailing address of the association's or foreign
759 cooperative's designated office and the name of its agent for service of process at the designated
760 office;

761 (c) the street address and, if different, mailing address of the association's or foreign
762 cooperative's principal office; and

763 (d) in the case of a foreign cooperative, the state or other jurisdiction under whose law
764 the foreign cooperative is formed and any alternative name adopted under Section 16-16-1405.

765 (2) Information in an annual report must be current as of the date the report is delivered
766 to the division.

767 (3) The first annual report must be delivered to the division between January 1 and
768 April 1 of the year following the calendar year in which the limited cooperative association is
769 formed or the foreign cooperative is authorized to transact business in this state. For
770 subsequent years, an annual report must be delivered to the division during the month in which
771 falls the anniversary of the limited cooperative association's organization or the foreign
772 cooperative's authorization to transact business.

773 (4) If an annual report does not contain the information required by Subsection (1), the
774 division shall promptly notify the reporting limited cooperative association or foreign
775 cooperative and return the report for correction. If the report is corrected to contain the
776 information required by Subsection (1) and delivered to the division not later than 30 days after
777 the date of the notice from the division, it is timely delivered.

778 (5) If a filed annual report contains an address of the designated office, name of the
779 agent for service of process, or address of the principal office which differs from the information
780 shown in the records of the division immediately before the filing, the differing information in
781 the annual report is considered a statement of change.

782 (6) If a limited cooperative association fails to deliver an annual report under this
783 section, the division may proceed under Section 16-16-1211 to dissolve the association
784 administratively.

785 (7) If a foreign cooperative fails to deliver an annual report under this section, the

786 division may revoke the certificate of authority of the cooperative.

787 Section 30. Section **16-16-208** is enacted to read:

788 **16-16-208. Filing fees.**

789 The filing fee for records filed under this part by the division shall be established by the
790 division in accordance with Section 63-38-3.2.

791 Section 31. Section **16-16-301** is enacted to read:

792 **Part 3. Formation and Initial Articles of Organization of Limited Cooperative**
793 **Association**

794 **16-16-301. Organizers.**

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

796 Section 32. Section **16-16-302** is enacted to read:

797 **16-16-302. Formation of limited cooperative association -- Articles of**
798 **organization.**

799 (1) To form a limited cooperative association, an organizer of the association must
800 deliver articles of organization to the division for filing. The articles must state:

801 (a) the name of the association;

802 (b) the purposes for which the association is formed;

803 (c) the street address and, if different, mailing address of the association's initial
804 designated office and the name of the association's initial agent for service of process at the
805 designated office;

806 (d) the street address and, if different, mailing address of the initial principal office;

807 (e) the name and street address and, if different, mailing address of each organizer; and

808 (f) the term for which the association is to exist if other than perpetual.

809 (2) Subject to Subsection 16-16-113(1), articles of organization may contain any other
810 provisions in addition to those required by Subsection (1).

811 (3) A limited cooperative association is formed after articles of organization that
812 substantially comply with Subsection (1) are delivered to the division, are filed, and become
813 effective under Subsection 16-16-203(3).

814 (4) If articles of organization filed by the division state a delayed effective date, a
815 limited cooperative association is not formed if, before the articles take effect, an organizer
816 signs and delivers to the division for filing a statement of cancellation.

817 Section 33. Section **16-16-303** is enacted to read:

818 **16-16-303. Organization of limited cooperative association.**

819 (1) After a limited cooperative association is formed:

820 (a) if initial directors are named in the articles of organization, the initial directors shall
821 hold an organizational meeting to adopt initial bylaws and carry on any other business necessary
822 or proper to complete the organization of the association; or

823 (b) if initial directors are not named in the articles of organization, the organizers shall
824 designate the initial directors and call a meeting of the initial directors to adopt initial bylaws
825 and carry on any other business necessary or proper to complete the organization of the
826 association.

827 (2) Unless the articles of organization otherwise provide, the initial directors may cause
828 the limited cooperative association to accept members, including those necessary for the
829 association to begin business.

830 (3) Initial directors need not be members.

831 (4) An initial director serves until a successor is elected and qualified at a members
832 meeting or the director is removed, resigns, is adjudged incompetent, or dies.

833 Section 34. Section **16-16-304** is enacted to read:

834 **16-16-304. Bylaws.**

835 (1) Bylaws must be in a record and, if not stated in the articles of organization, must
836 include:

837 (a) a statement of the capital structure of the limited cooperative association, including:

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

840 (ii) the rights to share in profits or distributions of the association;

841 (b) a statement of the method for admission of members;

842 (c) a statement designating voting and other governance rights, including which
843 members have voting power and any restriction on voting power;

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

846 (e) a statement concerning the manner in which profits and losses are allocated and
847 distributions are made among patron members and, if investor members are authorized, the
848 manner in which profits and losses are allocated and how distributions are made among investor
849 members and between patron members and investor members;

850 (f) a statement concerning:

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

853 (ii) the manner in which profits and losses are allocated and distributions are made with
854 respect to those persons; and

855 (g) a statement of the number and terms of directors or the method by which the
856 number and terms are determined.

857 (2) Subject to Subsection 16-16-113(3) and the articles of organization, bylaws may
858 contain any other provision for managing and regulating the affairs of the association.

859 (3) In addition to amendments permitted under Part 4, Amendment of Organic Rules of
860 Limited Cooperative Association, the initial board of directors may amend the bylaws by a
861 majority vote of the directors at any time before the admission of members.

862 Section 35. Section **16-16-401** is enacted to read:

863 **Part 4. Amendment of Organic Rules of Limited Cooperative Association**

864 **16-16-401. Authority to amend organic rules.**

865 (1) A limited cooperative association may amend its organic rules under this part for
866 any lawful purpose. In addition, the initial board of directors may amend the bylaws of an
867 association under Section 16-16-304.

868 (2) Unless the organic rules otherwise provide, a member does not have a vested
869 property right resulting from any provision in the organic rules, including a provision relating to

870 the management, control, capital structure, distribution, entitlement, purpose, or duration of the
871 limited cooperative association.

872 Section 36. Section **16-16-402** is enacted to read:

873 **16-16-402. Notice and action on amendment of organic rules.**

874 (1) Except as provided in Subsections 16-16-401(1) and 16-16-405(6), the organic
875 rules of a limited cooperative association may be amended only at a members meeting. An
876 amendment may be proposed by either:

877 (a) a majority of the board of directors, or a greater percentage if required by the
878 organic rules; or

879 (b) one or more petitions signed by at least 10% of the patron members or at least 10%
880 of the investor members.

881 (2) The board of directors shall call a members meeting to consider an amendment
882 proposed pursuant to Subsection (1). The meeting must be held not later than 90 days
883 following the proposal of the amendment by the board or receipt of a petition. The board must
884 mail or otherwise transmit or deliver in a record to each member:

885 (a) the proposed amendment, or a summary of the proposed amendment and a
886 statement of the manner in which a copy of the amendment in a record may be reasonably
887 obtained by a member;

888 (b) a recommendation that the members approve the amendment, or if the board
889 determines that because of conflict of interest or other special circumstances it should not make
890 a favorable recommendation, the basis for that determination;

891 (c) a statement of any condition of the board's submission of the amendment to the
892 members; and

893 (d) notice of the meeting at which the proposed amendment will be considered, which
894 must be given in the same manner as notice for a special meeting of members.

895 Section 37. Section **16-16-403** is enacted to read:

896 **16-16-403. Change to amendment of organic rules at meeting.**

897 (1) A substantive change to a proposed amendment of the organic rules may not be

898 made at the members meeting at which a vote on the amendment occurs.

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

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

904 Section 38. Section **16-16-404** is enacted to read:

905 **16-16-404. Voting by district, class, or voting group.**

906 (1) This section applies if the organic rules provide for voting by district or class, or if
907 there is one or more identifiable voting groups that a proposed amendment to the organic rules
908 would affect differently from other members with respect to matters identified in Subsections
909 16-16-405(5)(a) through (e). Approval of the amendment requires the same percentage of
910 votes of the members of that district, class, or voting group required in Sections 16-16-405 and
911 16-16-514.

912 (2) If a proposed amendment to the organic rules would affect members in two or more
913 districts or classes entitled to vote separately under Subsection (1) in the same or a substantially
914 similar way, the districts or classes affected must vote as a single voting group unless the
915 organic rules otherwise provide for separate voting.

916 Section 39. Section **16-16-405** is enacted to read:

917 **16-16-405. Approval of amendment.**

918 (1) Subject to Section 16-16-404 and Subsections (3) and (4), an amendment to the
919 articles of organization must be approved by:

920 (a) at least two-thirds of the voting power of members present at a members meeting
921 called under Section 16-16-402; and

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

925 (2) Subject to Section 16-16-404 and Subsections (3), (4), (5), and (6), an amendment

926 to the bylaws must be approved by:

927 (a) at least a majority vote of the voting power of all members present at a members
928 meeting called under Section 16-16-402, unless the organic rules require a greater percentage;

929 and

930 (b) if a limited cooperative association has investor members, a majority of the votes
931 cast by patron members, unless the organic rules require a larger affirmative vote by patron
932 members.

933 (3) The organic rules may require that the percentage of votes under Subsection (1)(a)
934 or (2)(a) be:

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

937 (b) measured against the voting power of all members; or

938 (c) a combination of Subsections (3)(a) and (b).

939 (4) Consent in a record by a member must be delivered to a limited cooperative
940 association before delivery of an amendment to the articles of organization or restated articles
941 of organization for filing pursuant to Section 16-16-407, if as a result of the amendment the
942 member will have:

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

944 (b) an obligation or liability for an additional contribution.

945 (5) The vote required to amend bylaws must satisfy the requirements of Subsection (1)
946 if the proposed amendment modifies:

947 (a) the equity capital structure of the limited cooperative association, including the
948 rights of the association's members to share in profits or distributions, or the relative rights,
949 preferences, and restrictions granted to or imposed upon one or more districts, classes, or
950 voting groups of similarly situated members;

951 (b) the transferability of a member's interest;

952 (c) the manner or method of allocation of profits or losses among members;

953 (d) the quorum for a meeting and the rights of voting and governance; or

954 (e) unless otherwise provided in the organic rules, the terms for admission of new
955 members.

956 (6) Except for the matters described in Subsection (5), the articles of organization may
957 delegate amendment of all or a part of the bylaws to the board of directors without requiring
958 member approval.

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

964 Section 40. Section **16-16-406** is enacted to read:

965 **16-16-406. Restated articles of organization.**

966 A limited cooperative association, by the affirmative vote of a majority of the board of
967 directors taken at a meeting for which the purpose is stated in the notice of the meeting, may
968 adopt restated articles of organization that contain the original articles as previously amended.
969 Restated articles may contain amendments if the restated articles are adopted in the same
970 manner and with the same vote as required for amendments to the articles under Subsection
971 16-16-405(1). Upon filing, restated articles supersede the existing articles and all amendments.

972 Section 41. Section **16-16-407** is enacted to read:

973 **16-16-407. Amendment or restatement of articles of organization--Filing.**

974 (1) To amend its articles of organization, a limited cooperative association must deliver
975 to the division for filing an amendment of the articles, or restated articles of organization or
976 articles of conversion or merger pursuant to Part 16, Conversion and Merger, which contain
977 one or more amendments of the articles of organization, stating:

978 (a) the name of the association;

979 (b) the date of filing of the association's initial articles; and

980 (c) the changes the amendment makes to the articles as most recently amended or
981 restated.

1010 Unless the articles of organization otherwise provide, a debt, obligation, or other liability
1011 of a limited cooperative association is solely that of the association and is not the debt,
1012 obligation, or liability of a member solely by reason of being a member.

1013 Section 46. Section **16-16-505** is enacted to read:

1014 **16-16-505. Right of member and former member to information.**

1015 (1) Not later than ten business days after receipt of a demand made in a record, a
1016 limited cooperative association shall permit a member to obtain, inspect, and copy in the
1017 association's principal office required information listed in Subsections 16-16-114(1)(a) through
1018 (h) during regular business hours. A member need not have any particular purpose for seeking
1019 the information. The association is not required to provide the same information listed in
1020 Subsections 16-16-114(1)(b) through (h) to the same member more than once during a
1021 six-month period.

1022 (2) On demand made in a record received by the limited cooperative association, a
1023 member may obtain, inspect, and copy in the association's principal office required information
1024 listed in Subsections 16-16-114(1)(i), (j), (l), (m), (p), and (r) during regular business hours, if:

1025 (a) the member seeks the information in good faith and for a proper purpose reasonably
1026 related to the member's interest;

1027 (b) the demand includes a description with reasonable particularity of the information
1028 sought and the purpose for seeking the information;

1029 (c) the information sought is directly connected to the member's purpose; and

1030 (d) the demand is reasonable.

1031 (3) Not later than ten business days after receipt of a demand pursuant to Subsection
1032 (2), a limited cooperative association shall provide, in a record, the following information to the
1033 member that made the demand:

1034 (a) if the association agrees to provide the demanded information:

1035 (i) what information the association will provide in response to the demand; and

1036 (ii) a reasonable time and place at which the association will provide the information; or

1037 (b) if the association declines to provide some or all of the demanded information, the

1038 association's reasons for declining.

1039 (4) A person dissociated as a member may obtain, inspect, and copy information
1040 available to a member under Subsection (1) or (2) by delivering a demand in a record to the
1041 limited cooperative association in the same manner and subject to the same conditions
1042 applicable to a member under Subsection (2) if:

1043 (a) the information pertains to the period during which the person was a member in the
1044 association; and

1045 (b) the person seeks the information in good faith.

1046 (5) A limited cooperative association shall respond to a demand made pursuant to
1047 Subsection (4) in the manner provided in Subsection (3).

1048 (6) Not later than ten business days after receipt by a limited cooperative association of
1049 a demand made by a member in a record, but not more often than once in a six-month period,
1050 the association shall deliver to the member a record stating the information with respect to the
1051 member required by Subsection 16-16-114(1)(q).

1052 (7) A limited cooperative association may impose reasonable restrictions, including
1053 nondisclosure restrictions, on the use of information obtained under this section. In a dispute
1054 concerning the reasonableness of a restriction under this Subsection (7), the association has the
1055 burden of proving reasonableness.

1056 (8) A limited cooperative association may charge a person that makes a demand under
1057 this section reasonable costs of copying, limited to the costs of labor and material.

1058 (9) A person that may obtain information under this section may obtain the information
1059 through an attorney or other agent. A restriction imposed on the person under Subsection (7)
1060 or by the organic rules applies to the attorney or other agent.

1061 (10) The rights stated in this section do not extend to a person as transferee.

1062 (11) The organic rules may require a limited cooperative association to provide more
1063 information than required by this section and may establish conditions and procedures for
1064 providing the information.

1065 Section 47. Section **16-16-506** is enacted to read:

1066 **16-16-506. Annual meeting of members.**

1067 (1) Members shall meet annually at a time provided in the organic rules or set by the
1068 board of directors not inconsistent with the organic rules.

1069 (2) An annual members meeting may be held inside or outside this state at the place
1070 stated in the organic rules or selected by the board of directors not inconsistent with the organic
1071 rules.

1072 (3) Unless the organic rules otherwise provide, members may attend or conduct an
1073 annual members meeting through any means of communication if all members attending the
1074 meeting can communicate with each other during the meeting.

1075 (4) The board of directors shall report, or cause to be reported, at the association's
1076 annual members meeting the association's business and financial condition as of the close of the
1077 most recent fiscal year.

1078 (5) Unless the organic rules otherwise provide, the board of directors shall designate the
1079 presiding officer of the association's annual members meeting.

1080 (6) Failure to hold an annual members meeting does not affect the validity of any action
1081 by the limited cooperative association.

1082 Section 48. Section **16-16-507** is enacted to read:

1083 **16-16-507. Special meeting of members.**

1084 (1) A special meeting of members may be called only:

1085 (a) as provided in the organic rules;

1086 (b) by a majority vote of the board of directors on a proposal stating the purpose of the
1087 meeting;

1088 (c) by demand in a record signed by members holding at least 20% of the voting power
1089 of the persons in any district or class entitled to vote on the matter that is the purpose of the
1090 meeting stated in the demand; or

1091 (d) by demand in a record signed by members holding at least 10% of the total voting
1092 power of all the persons entitled to vote on the matter that is the purpose of the meeting stated
1093 in the demand.

1094 (2) A demand under Subsection (1)(c) or (d) must be submitted to the officer of the
1095 limited cooperative association charged with keeping its records.

1096 (3) Any voting member may withdraw its demand under Subsection (1)(c) or (d) before
1097 receipt by the limited cooperative association of demands sufficient to require a special meeting
1098 of members.

1099 (4) A special meeting of members may be held inside or outside this state at the place
1100 stated in the organic rules or selected by the board of directors not inconsistent with the organic
1101 rules.

1102 (5) Unless the organic rules otherwise provide, members may attend or conduct a
1103 special meeting of members through the use of any means of communication if all members
1104 attending the meeting can communicate with each other during the meeting.

1105 (6) Only business within the purpose or purposes stated in the notice of a special
1106 meeting of members may be conducted at the meeting.

1107 (7) Unless the organic rules otherwise provide, the presiding officer of a special meeting
1108 of members shall be designated by the board of directors.

1109 Section 49. Section **16-16-508** is enacted to read:

1110 **16-16-508. Notice of members meeting.**

1111 (1) A limited cooperative association shall notify each member of the time, date, and
1112 place of a members meeting at least 15 and not more than 60 days before the meeting.

1113 (2) Unless the articles of organization otherwise provide, notice of an annual members
1114 meeting need not include any purpose of the meeting.

1115 (3) Notice of a special meeting of members must include each purpose of the meeting as
1116 contained in the demand under Subsection 16-16-507(1)(c) or (d) or as voted upon by the
1117 board of directors under Subsection 16-16-507(1)(b).

1118 (4) Notice of a members meeting must be given in a record unless oral notice is
1119 reasonable under the circumstances.

1120 Section 50. Section **16-16-509** is enacted to read:

1121 **16-16-509. Waiver of members meeting notice.**

1122 (1) A member may waive notice of a members meeting before, during, or after the
1123 meeting.

1124 (2) A member's participation in a members meeting is a waiver of notice of that meeting
1125 unless the member objects to the meeting at the beginning of the meeting or promptly upon the
1126 member's arrival at the meeting and does not thereafter vote for or assent to action taken at the
1127 meeting.

1128 Section 51. Section **16-16-510** is enacted to read:

1129 **16-16-510. Quorum of members.**

1130 Unless the organic rules otherwise require a greater number of members or percentage
1131 of the voting power, the voting member or members present at a members meeting constitute a
1132 quorum.

1133 Section 52. Section **16-16-511** is enacted to read:

1134 **16-16-511. Voting by patron members.**

1135 Except as provided by Subsection 16-16-512(1), each patron member has one vote.

1136 The organic rules may allocate voting power among patron members as provided in Subsection
1137 16-16-512(1).

1138 Section 53. Section **16-16-512** is enacted to read:

1139 **16-16-512. Determination of voting power of patron member.**

1140 (1) The organic rules may allocate voting power among patron members on the basis of
1141 one or a combination of the following:

1142 (a) one member, one vote;

1143 (b) use or patronage;

1144 (c) equity; or

1145 (d) if a patron member is a cooperative, the number of its patron members.

1146 (2) The organic rules may provide for the allocation of patron member voting power by
1147 districts or class, or any combination thereof.

1148 Section 54. Section **16-16-513** is enacted to read:

1149 **16-16-513. Voting by investor members.**

1150 If the organic rules provide for investor members, each investor member has one vote,
1151 unless the organic rules otherwise provide. The organic rules may provide for the allocation of
1152 investor member voting power by class, classes, or any combination of classes.

1153 Section 55. Section **16-16-514** is enacted to read:

1154 **16-16-514. Voting requirements for members.**

1155 (1) If a limited cooperative association has both patron and investor members, the
1156 following rules apply:

1157 (a) the total voting power of all patron members may not be less than a majority of the
1158 entire voting power entitled to vote; and

1159 (b) action on any matter is approved only upon the affirmative vote of at least a
1160 majority of:

1161 (i) all members voting at the meeting unless more than a majority is required by this
1162 chapter or the organic rules; and

1163 (ii) votes cast by patron members unless the organic rules require a larger affirmative
1164 vote by patron members.

1165 (2) The organic rules may provide for the percentage of the affirmative votes that must
1166 be cast by investor members to approve the matter.

1167 Section 56. Section **16-16-515** is enacted to read:

1168 **16-16-515. Manner of voting.**

1169 (1) Unless the organic rules otherwise provide, voting by a proxy at a members meeting
1170 is prohibited. This Subsection (1) does not prohibit delegate voting based on district or class.

1171 (2) If voting by a proxy is permitted, a patron member may appoint only another patron
1172 member as a proxy and, if investor members are permitted, an investor member may appoint
1173 only another investor member as a proxy.

1174 (3) The organic rules may provide for the manner of and provisions governing the
1175 appointment of a proxy.

1176 (4) The organic rules may provide for voting on any question by ballot delivered by mail
1177 or voting by other means on questions that are subject to vote by members.

1178 Section 57. Section **16-16-516** is enacted to read:

1179 **16-16-516. Action without a meeting.**

1180 (1) Unless the organic rules require that action be taken only at a members meeting, any
1181 action that may be taken by the members may be taken without a meeting if each member
1182 entitled to vote on the action consents in a record to the action.

1183 (2) Consent under Subsection (1) may be withdrawn by a member in a record at any
1184 time before the limited cooperative association receives a consent from each member entitled to
1185 vote.

1186 (3) Consent to any action may specify the effective date or time of the action.

1187 Section 58. Section **16-16-517** is enacted to read:

1188 **16-16-517. Districts and delegates -- Classes of members.**

1189 (1) The organic rules may provide for the formation of geographic districts of patron
1190 members and:

1191 (a) for the conduct of patron member meetings by districts and the election of directors
1192 at the meetings; or

1193 (b) that districts may elect district delegates to represent and vote for the district at
1194 members meetings.

1195 (2) A delegate elected under Subsection (1)(b) has one vote unless voting power is
1196 otherwise allocated by the organic rules.

1197 (3) The organic rules may provide for the establishment of classes of members, for the
1198 preferences, rights, and limitations of the classes, and:

1199 (a) for the conduct of members meetings by classes and the election of directors at the
1200 meetings; or

1201 (b) that classes may elect class delegates to represent and vote for the class in members
1202 meetings.

1203 (4) A delegate elected under Subsection (3)(b) has one vote unless voting power is
1204 otherwise allocated by the organic rules.

1205 Section 59. Section **16-16-601** is enacted to read:

1206 **Part 6. Member's Interest in Limited Cooperative Association**1207 **16-16-601. Member's interest.**1208 A member's interest:1209 (1) is personal property;1210 (2) consists of:1211 (a) governance rights;1212 (b) financial rights; and1213 (c) the right or obligation, if any, to do business with the limited cooperative1214 association; and1215 (3) may be in certificated or uncertificated form.1216 Section 60. Section **16-16-602** is enacted to read:1217 **16-16-602. Patron and investor members' interests.**1218 (1) Unless the organic rules establish investor members' interests, a member's interest is1219 a patron member's interest.1220 (2) Unless the organic rules otherwise provide, if a limited cooperative association has1221 investor members, while a person is a member of the association, the person:1222 (a) if admitted as a patron member, remains a patron member;1223 (b) if admitted as an investor member, remains an investor member; and1224 (c) if admitted as a patron member and investor member, remains a patron and investor1225 member if not dissociated in one of the capacities.1226 Section 61. Section **16-16-603** is enacted to read:1227 **16-16-603. Transferability of member's interest.**1228 (1) The provisions of this chapter relating to the transferability of a member's interest1229 are subject to Title 70A, Uniform Commercial Code.1230 (2) Unless the organic rules otherwise provide, a member's interest other than financial1231 rights is not transferable.1232 (3) Unless a transfer is restricted or prohibited by the organic rules, a member may1233 transfer the member's financial rights in the limited cooperative association.

- 1234 (4) The terms of any restriction on transferability of financial rights must be:
1235 (a) set forth in the organic rules and the member records of the association; and
1236 (b) conspicuously noted on any certificates evidencing a member's interest.
1237 (5) A transferee of a member's financial rights, to the extent the rights are transferred,
1238 has the right to share in the allocation of profits or losses and to receive the distributions to the
1239 member transferring the interest to the same extent as the transferring member.
1240 (6) A transferee of a member's financial rights does not become a member upon transfer
1241 of the rights unless the transferee is admitted as a member by the limited cooperative
1242 association.
1243 (7) A limited cooperative association need not give effect to a transfer under this
1244 section until the association has notice of the transfer.
1245 (8) A transfer of a member's financial rights in violation of a restriction on transfer
1246 contained in the organic rules is ineffective as to a person having notice of the restriction at the
1247 time of transfer.
1248 Section 62. Section **16-16-604** is enacted to read:
1249 **16-16-604. Security interest and set-off.**
1250 (1) A member or transferee may create an enforceable security interest in its financial
1251 rights in a limited cooperative association.
1252 (2) Unless the organic rules otherwise provide, a member may not create an enforceable
1253 security interest in the member's governance rights in a limited cooperative association.
1254 (3) The organic rules may provide that a limited cooperative association has a security
1255 interest in the financial rights of a member to secure payment of any indebtedness or other
1256 obligation of the member to the association. A security interest provided for in the organic rules
1257 is enforceable under, and governed by, Title 70A, Chapter 9a, Uniform Commercial Code -
1258 Secured Transactions.
1259 (4) Unless the organic rules otherwise provide, a member may not compel the limited
1260 cooperative association to offset financial rights against any indebtedness or obligation owed to
1261 the association.

1262 Section 63. Section **16-16-605** is enacted to read:

1263 **16-16-605. Charging orders for judgment creditor of member or transferee.**

1264 (1) On application by a judgment creditor of a member or transferee, a court may enter
1265 a charging order against the financial rights of the judgment debtor for the unsatisfied amount of
1266 the judgment. A charging order issued under this Subsection (1) constitutes a lien on the
1267 judgment debtor's financial rights and requires the limited cooperative association to pay over to
1268 the creditor or receiver, to the extent necessary to satisfy the judgment, any distribution that
1269 would otherwise be paid to the judgment debtor.

1270 (2) To the extent necessary to effectuate the collection of distributions pursuant to a
1271 charging order under Subsection (1), the court may:

1272 (a) appoint a receiver of the share of the distributions due or to become due to the
1273 judgment debtor under the judgment debtor's financial rights, with the power to make all
1274 inquiries the judgment debtor might have made; and

1275 (b) make all other orders that the circumstances of the case may require to give effect to
1276 the charging order.

1277 (3) Upon a showing that distributions under a charging order will not pay the judgment
1278 debt within a reasonable time, the court may foreclose the lien and order the sale of the financial
1279 rights. The purchaser at the foreclosure sale obtains only the financial rights that are subject to
1280 the charging order, does not thereby become a member, and is subject to Section 16-16-603.

1281 (4) At any time before a sale pursuant to a foreclosure, a member or transferee whose
1282 financial rights are subject to a charging order under Subsection (1) may extinguish the charging
1283 order by satisfying the judgment and filing a certified copy of the satisfaction with the court that
1284 issued the charging order.

1285 (5) At any time before sale pursuant to a foreclosure, the limited cooperative
1286 association or one or more members whose financial rights are not subject to the charging order
1287 may pay to the judgment creditor the full amount due under the judgment and succeed to the
1288 rights of the judgment creditor, including the charging order. Unless the organic rules
1289 otherwise provide, the association may act under this Subsection (5) only with the consent of all

1290 members whose financial rights are not subject to the charging order.

1291 (6) This chapter does not deprive any member or transferee of the benefit of any
1292 exemption laws applicable to the member's or transferee's financial rights.

1293 (7) This section provides the exclusive remedy by which a judgment creditor of a
1294 member or transferee may satisfy the judgment from the member's or transferee's financial
1295 rights.

1296 Section 64. Section **16-16-701** is enacted to read:

1297 **Part 7. Marketing Contracts**

1298 **16-16-701. Authority.**

1299 In this part, "marketing contract" means a contract between a limited cooperative
1300 association and another person, that need not be a patron member:

1301 (1) requiring the other person to sell, or deliver for sale or marketing on the person's
1302 behalf, a specified part of the person's products, commodities, or goods exclusively to or
1303 through the association or any facilities furnished by the association; or

1304 (2) authorizing the association to act for the person in any manner with respect to the
1305 products, commodities, or goods.

1306 Section 65. Section **16-16-702** is enacted to read:

1307 **16-16-702. Marketing contracts.**

1308 (1) If a marketing contract provides for the sale of products, commodities, or goods to
1309 a limited cooperative association, the sale transfers title to the association upon delivery or at
1310 any other specific time expressly provided by the contract.

1311 (2) A marketing contract may:

1312 (a) authorize a limited cooperative association to create an enforceable security interest
1313 in the products, commodities, or goods delivered; and

1314 (b) allow the association to sell the products, commodities, or goods delivered and pay
1315 the sales price on a pooled or other basis after deducting selling costs, processing costs,
1316 overhead, expenses, and other charges.

1317 (3) Some or all of the provisions of a marketing contract between a patron member and

1318 a limited cooperative association may be contained in the organic rules.

1319 Section 66. Section **16-16-703** is enacted to read:

1320 **16-16-703. Duration of marketing contract.**

1321 The initial duration of a marketing contract may not exceed ten years, but the contract
1322 may be self-renewing for additional periods not exceeding five years each. Unless the contract
1323 provides for another manner or time for termination, either party may terminate the contract by
1324 giving notice in a record at least 90 days before the end of the current term.

1325 Section 67. Section **16-16-704** is enacted to read:

1326 **16-16-704. Remedies for breach of contract.**

1327 (1) Damages to be paid to a limited cooperative association for breach or anticipatory
1328 repudiation of a marketing contract may be liquidated, but only at an amount or under a formula
1329 that is reasonable in light of the actual or anticipated harm caused by the breach or repudiation.
1330 A provision that so provides is not a penalty.

1331 (2) Upon a breach of a marketing contract, whether by anticipatory repudiation or
1332 otherwise, a limited cooperative association may seek:

1333 (a) an injunction to prevent further breach; and

1334 (b) specific performance.

1335 (3) The remedies in this section are in addition to any other remedies available to an
1336 association under law other than this chapter.

1337 Section 68. Section **16-16-801** is enacted to read:

1338 **Part 8. Directors and Officers**

1339 **16-16-801. Board of directors.**

1340 (1) A limited cooperative association must have a board of directors of at least three
1341 individuals, unless the association has fewer than three members. If the association has fewer
1342 than three members, the number of directors may not be fewer than the number of members.

1343 (2) The affairs of a limited cooperative association must be managed by, or under the
1344 direction of, the board of directors. The board may adopt policies and procedures that do not
1345 conflict with the organic rules or this chapter.

1346 (3) An individual is not an agent for a limited cooperative association solely by being a
1347 director.

1348 Section 69. Section **16-16-802** is enacted to read:

1349 **16-16-802. No liability as director for limited cooperative association's obligations.**

1350 A debt, obligation, or other liability of a limited cooperative association is solely that of
1351 the association and is not a debt, obligation, or liability of a director solely by reason of being a
1352 director. An individual is not personally liable, directly or indirectly, for an obligation of an
1353 association solely by reason of being a director.

1354 Section 70. Section **16-16-803** is enacted to read:

1355 **16-16-803. Qualifications of directors.**

1356 (1) Unless the organic rules otherwise provide, and subject to Subsection (3), each
1357 director of a limited cooperative association must be an individual who is a member of the
1358 association or an individual who is designated by a member that is not an individual for
1359 purposes of qualifying and serving as a director. Initial directors need not be members.

1360 (2) Unless the organic rules otherwise provide, a director may be an officer or employee
1361 of the limited cooperative association.

1362 (3) If the organic rules provide for nonmember directors, the number of nonmember
1363 directors may not exceed:

1364 (a) one, if there are two through four directors;

1365 (b) two, if there are five through eight directors; or

1366 (c) 1/3 of the total number of directors if there are at least nine directors.

1367 (4) The organic rules may provide qualifications for directors in addition to those in this
1368 section.

1369 Section 71. Section **16-16-804** is enacted to read:

1370 **16-16-804. Election of directors and composition of board.**

1371 (1) Unless the organic rules require a greater number:

1372 (a) the number of directors that must be patron members may not be fewer than:

1373 (i) one, if there are two or three directors;

- 1374 (ii) two, if there are four or five directors;
1375 (iii) three, if there are six through eight directors; or
1376 (iv) 1/3 of the directors if there are at least nine directors; and
1377 (b) a majority of the board of directors must be elected exclusively by patron members.
1378 (2) Unless the organic rules otherwise provide, if a limited cooperative association has
1379 investor members, the directors who are not elected exclusively by patron members are elected
1380 by the investor members.
1381 (3) Subject to Subsection (1), the organic rules may provide for the election of all or a
1382 specified number of directors by one or more districts or classes of members.
1383 (4) Subject to Subsection (1), the organic rules may provide for the nomination or
1384 election of directors by districts or classes, directly or by district delegates.
1385 (5) If a class of members consists of a single member, the organic rules may provide for
1386 the member to appoint a director or directors.
1387 (6) Unless the organic rules otherwise provide, cumulative voting for directors is
1388 prohibited.
1389 (7) Except as otherwise provided by the organic rules, Subsection (5), or Sections
1390 16-16-303, 16-16-516, 16-16-517, and 16-16-809, member directors must be elected at an
1391 annual members meeting.
1392 Section 72. Section **16-16-805** is enacted to read:
1393 **16-16-805. Term of director.**
1394 (1) Unless the organic rules otherwise provide, and subject to Subsections (3) and (4)
1395 and Subsection 16-16-303(3), the term of a director expires at the annual members meeting
1396 following the director's election or appointment. The term of a director may not exceed three
1397 years.
1398 (2) Unless the organic rules otherwise provide, a director may be reelected.
1399 (3) Except as otherwise provided in Subsection (4), a director continues to serve until a
1400 successor director is elected or appointed and qualifies or the director is removed, resigns, is
1401 adjudged incompetent, or dies.

1402 (4) Unless the organic rules otherwise provide, a director does not serve the remainder
1403 of the director's term if the director ceases to qualify to be a director.

1404 Section 73. Section **16-16-806** is enacted to read:

1405 **16-16-806. Resignation of director.**

1406 A director may resign at any time by giving notice in a record to the limited cooperative
1407 association. Unless the notice states a later effective date, a resignation is effective when the
1408 notice is received by the association.

1409 Section 74. Section **16-16-807** is enacted to read:

1410 **16-16-807. Removal of director.**

1411 Unless the organic rules otherwise provide, the following rules apply:

1412 (1) Members may remove a director with or without cause.

1413 (2) A member or members holding at least 10% of the total voting power entitled to be
1414 voted in the election of a director may demand removal of the director by one or more signed
1415 petitions submitted to the officer of the limited cooperative association charged with keeping its
1416 records.

1417 (3) Upon receipt of a petition for removal of a director, an officer of the association or
1418 the board of directors shall:

1419 (a) call a special meeting of members to be held not later than 90 days after receipt of
1420 the petition by the association; and

1421 (b) mail or otherwise transmit or deliver in a record to the members entitled to vote on
1422 the removal, and to the director to be removed, notice of the meeting which complies with
1423 Section 16-16-508.

1424 (4) A director is removed if the votes in favor of removal are equal to or greater than
1425 the votes required to elect the director.

1426 Section 75. Section **16-16-808** is enacted to read:

1427 **16-16-808. Suspension of director by board.**

1428 (1) A board of directors may suspend a director if, considering the director's course of
1429 conduct and the inadequacy of other available remedies, immediate suspension is necessary for

1430 the best interests of the association and the director is engaging, or has engaged, in:

1431 (a) fraudulent conduct with respect to the association or its members;

1432 (b) gross abuse of the position of director;

1433 (c) intentional or reckless infliction of harm on the association; or

1434 (d) any other behavior, act, or omission as provided by the organic rules.

1435 (2) A suspension under Subsection (1) is effective for 30 days unless the board of

1436 directors calls and gives notice of a special meeting of members for removal of the director

1437 before the end of the 30-day period in which case the suspension is effective until adjournment

1438 of the meeting or the director is removed.

1439 Section 76. Section **16-16-809** is enacted to read:

1440 **16-16-809. Vacancy on board.**

1441 (1) Unless the organic rules otherwise provide, a vacancy on the board of directors

1442 must be filled:

1443 (a) within a reasonable time by majority vote of the remaining directors until the next
1444 annual members meeting or a special meeting of members called to fill the vacancy; and

1445 (b) for the unexpired term by members at the next annual members meeting or a special
1446 meeting of members called to fill the vacancy.

1447 (2) Unless the organic rules otherwise provide, if a vacating director was elected or
1448 appointed by a class of members or a district:

1449 (a) the new director must be of that class or district; and

1450 (b) the selection of the director for the unexpired term must be conducted in the same
1451 manner as would the selection for that position without a vacancy.

1452 (3) If a member appointed a vacating director, the organic rules may provide for that
1453 member to appoint a director to fill the vacancy.

1454 Section 77. Section **16-16-810** is enacted to read:

1455 **16-16-810. Remuneration of directors.**

1456 Unless the organic rules otherwise provide, the board of directors may set the

1457 remuneration of directors and of nondirector committee members appointed under Subsection

1458 16-16-817(1).

1459 Section 78. Section **16-16-811** is enacted to read:

1460 **16-16-811. Meetings.**

1461 (1) A board of directors shall meet at least annually and may hold meetings inside or
1462 outside this state.

1463 (2) Unless the organic rules otherwise provide, a board of directors may permit
1464 directors to attend or conduct board meetings through the use of any means of communication,
1465 if all directors attending the meeting can communicate with each other during the meeting.

1466 Section 79. Section **16-16-812** is enacted to read:

1467 **16-16-812. Action without meeting.**

1468 (1) Unless prohibited by the organic rules, any action that may be taken by a board of
1469 directors may be taken without a meeting if each director consents in a record to the action.

1470 (2) Consent under Subsection (1) may be withdrawn by a director in a record at any
1471 time before the limited cooperative association receives consent from all directors.

1472 (3) A record of consent for any action under Subsection (1) may specify the effective
1473 date or time of the action.

1474 Section 80. Section **16-16-813** is enacted to read:

1475 **16-16-813. Meetings and notice.**

1476 (1) Unless the organic rules otherwise provide, a board of directors may establish a
1477 time, date, and place for regular board meetings, and notice of the time, date, place, or purpose
1478 of those meetings is not required.

1479 (2) Unless the organic rules otherwise provide, notice of the time, date, and place of a
1480 special meeting of a board of directors must be given to all directors at least three days before
1481 the meeting, the notice must contain a statement of the purpose of the meeting, and the meeting
1482 is limited to the matters contained in the statement.

1483 Section 81. Section **16-16-814** is enacted to read:

1484 **16-16-814. Waiver of notice of meeting.**

1485 (1) Unless the organic rules otherwise provide, a director may waive any required

1486 notice of a meeting of the board of directors in a record before, during, or after the meeting.

1487 (2) Unless the organic rules otherwise provide, a director's participation in a meeting is
1488 a waiver of notice of that meeting unless:

1489 (a) the director objects to the meeting at the beginning of the meeting or promptly upon
1490 the director's arrival at the meeting and does not thereafter vote in favor of or otherwise assent
1491 to the action taken at the meeting; or

1492 (b) the director promptly objects upon the introduction of any matter for which notice
1493 under Section 16-16-813 has not been given and does not thereafter vote in favor of or
1494 otherwise assent to the action taken on the matter.

1495 Section 82. Section **16-16-815** is enacted to read:

1496 **16-16-815. Quorum.**

1497 (1) Unless the articles of organization provide for a greater number, a majority of the
1498 total number of directors specified by the organic rules constitutes a quorum for a meeting of
1499 the directors.

1500 (2) If a quorum of the board of directors is present at the beginning of a meeting, any
1501 action taken by the directors present is valid even if withdrawal of directors originally present
1502 results in the number of directors being fewer than the number required for a quorum.

1503 (3) A director present at a meeting but objecting to notice under Subsection
1504 16-16-814(2)(a) or (b) does not count toward a quorum.

1505 Section 83. Section **16-16-816** is enacted to read:

1506 **16-16-816. Voting.**

1507 (1) Each director shall have one vote for purposes of decisions made by the board of
1508 directors.

1509 (2) Unless the organic rules otherwise provide, the affirmative vote of a majority of
1510 directors present at a meeting is required for action by the board of directors.

1511 Section 84. Section **16-16-817** is enacted to read:

1512 **16-16-817. Committees.**

1513 (1) Unless the organic rules otherwise provide, a board of directors may create one or

1514 more committees and appoint one or more individuals to serve on a committee.

1515 (2) Unless the organic rules otherwise provide, an individual appointed to serve on a
1516 committee of a limited cooperative association need not be a director or member.

1517 (3) An individual who is not a director and is serving on a committee has the same
1518 rights, duties, and obligations as a director serving on the committee.

1519 (4) Unless the organic rules otherwise provide, each committee of a limited cooperative
1520 association may exercise the powers delegated to it by the board of directors, but a committee
1521 may not:

1522 (a) approve allocations or distributions except according to a formula or method
1523 prescribed by the board of directors;

1524 (b) approve or propose to members action requiring approval of members; or

1525 (c) fill vacancies on the board of directors or any of its committees.

1526 Section 85. Section **16-16-818** is enacted to read:

1527 **16-16-818. Standards of conduct and liability.**

1528 Except as otherwise provided in Section 16-16-820:

1529 (1) the discharge of the duties of a director or member of a committee of the board of
1530 directors is governed by the law applicable to directors of entities organized under Title 3,
1531 Uniform Agricultural Cooperative Association Act; and

1532 (2) the liability of a director or member of a committee of the board of directors is
1533 governed by the law applicable to directors of entities organized under Title 3, Uniform
1534 Agricultural Cooperative Association Act.

1535 Section 86. Section **16-16-819** is enacted to read:

1536 **16-16-819. Conflict of interest.**

1537 (1) The law applicable to conflicts of interest between a director of an entity organized
1538 under Title 3, Uniform Agricultural Cooperative Association Act, governs conflicts of interest
1539 between a limited cooperative association and a director or member of a committee of the board
1540 of directors.

1541 (2) A director does not have a conflict of interest under this chapter or the organic rules

1542 solely because the director's conduct relating to the duties of the director may further the
1543 director's own interest.

1544 Section 87. Section **16-16-820** is enacted to read:

1545 **16-16-820. Other considerations of directors.**

1546 Unless the articles of organization otherwise provide, in considering the best interests of
1547 a limited cooperative association, a director of the association in discharging the duties of
1548 director, in conjunction with considering the long and short term interest of the association and
1549 its patron members, may consider:

1550 (1) the interest of employees, customers, and suppliers of the association;

1551 (2) the interest of the community in which the association operates; and

1552 (3) other cooperative principles and values that may be applied in the context of the
1553 decision.

1554 Section 88. Section **16-16-821** is enacted to read:

1555 **16-16-821. Right of director or committee member to information.**

1556 A director or a member of a committee appointed under Section 16-16-817 may obtain,
1557 inspect, and copy all information regarding the state of activities and financial condition of the
1558 limited cooperative association and other information regarding the activities of the association
1559 if the information is reasonably related to the performance of the director's duties as director or
1560 the committee member's duties as a member of the committee. Information obtained in
1561 accordance with this section may not be used in any manner that would violate any duty of or to
1562 the association.

1563 Section 89. Section **16-16-822** is enacted to read:

1564 **16-16-822. Appointment and authority of officers.**

1565 (1) A limited cooperative association has the officers:

1566 (a) provided in the organic rules; or

1567 (b) established by the board of directors in a manner not inconsistent with the organic
1568 rules.

1569 (2) The organic rules may designate or, if the rules do not designate, the board of

1570 directors shall designate, one of the association's officers for preparing all records required by
1571 Section 16-16-114 and for the authentication of records.

1572 (3) Unless the organic rules otherwise provide, the board of directors shall appoint the
1573 officers of the limited cooperative association.

1574 (4) Officers of a limited cooperative association shall perform the duties the organic
1575 rules prescribe or as authorized by the board of directors not in a manner inconsistent with the
1576 organic rules.

1577 (5) The election or appointment of an officer of a limited cooperative association does
1578 not of itself create a contract between the association and the officer.

1579 (6) Unless the organic rules otherwise provide, an individual may simultaneously hold
1580 more than one office in a limited cooperative association.

1581 Section 90. Section **16-16-823** is enacted to read:

1582 **16-16-823. Resignation and removal of officers.**

1583 (1) The board of directors may remove an officer at any time with or without cause.

1584 (2) An officer of a limited cooperative association may resign at any time by giving
1585 notice in a record to the association. Unless the notice specifies a later time, the resignation is
1586 effective when the notice is given.

1587 Section 91. Section **16-16-901** is enacted to read:

1588 **Part 9. Indemnification**

1589 **16-16-901. Indemnification.**

1590 (1) Indemnification of an individual who has incurred liability or is a party, or is
1591 threatened to be made a party, to litigation because of the performance of a duty to, or activity
1592 on behalf of, a limited cooperative association is governed by Title 3, Uniform Agricultural
1593 Cooperative Association Act.

1594 (b) A limited cooperative association may purchase and maintain insurance on behalf of
1595 any individual against liability asserted against or incurred by the individual to the same extent
1596 and subject to the same conditions as provided by Title 3, Uniform Agricultural Cooperative
1597 Association Act.

1598 Section 92. Section **16-16-1001** is enacted to read:

1599 **Part 10. Contributions, Allocations, and Distributions**

1600 **16-16-1001. Members' contributions.**

1601 The organic rules must establish the amount, manner, or method of determining any
1602 contribution requirements for members or must authorize the board of directors to establish the
1603 amount, manner, or other method of determining any contribution requirements for members.

1604 Section 93. Section **16-16-1002** is enacted to read:

1605 **16-16-1002. Contribution and valuation.**

1606 (1) Unless the organic rules otherwise provide, the contributions of a member to a
1607 limited cooperative association may consist of tangible or intangible property or other benefit to
1608 the association, including money, labor or other services performed or to be performed,
1609 promissory notes, other agreements to contribute money or property, and contracts to be
1610 performed.

1611 (2) The receipt and acceptance of contributions and the valuation of contributions must
1612 be reflected in a limited cooperative association's records.

1613 (3) Unless the organic rules otherwise provide, the board of directors shall determine
1614 the value of a member's contributions received or to be received and the determination by the
1615 board of directors of valuation is conclusive for purposes of determining whether the member's
1616 contribution obligation has been met.

1617 Section 94. Section **16-16-1003** is enacted to read:

1618 **16-16-1003. Contribution agreements.**

1619 (1) Except as otherwise provided in the agreement, the following rules apply to an
1620 agreement made by a person before formation of a limited cooperative association to make a
1621 contribution to the association:

1622 (a) The agreement is irrevocable for six months after the agreement is signed by the
1623 person unless all parties to the agreement consent to the revocation.

1624 (b) If a person does not make a required contribution:

1625 (i) the person is obligated, at the option of the association, once formed, to contribute

1626 money equal to the value of that part of the contribution that has not been made, and the
 1627 obligation may be enforced as a debt to the association; or

1628 (ii) the association, once formed, may rescind the agreement if the debt remains unpaid
 1629 more than 20 days after the association demands payment from the person, and upon rescission
 1630 the person has no further rights or obligations with respect to the association.

1631 (2) Unless the organic rules or an agreement to make a contribution to a limited
 1632 cooperative association otherwise provide, if a person does not make a required contribution to
 1633 an association, the person or the person's estate is obligated, at the option of the association, to
 1634 contribute money equal to the value of the part of the contribution which has not been made.

1635 Section 95. Section **16-16-1004** is enacted to read:

1636 **16-16-1004. Allocations of profits and losses.**

1637 (1) The organic rules may provide for allocating profits of a limited cooperative
 1638 association among members, among persons that are not members but conduct business with
 1639 the association, to an unallocated account, or to any combination thereof. Unless the organic
 1640 rules otherwise provide, losses of the association must be allocated in the same proportion as
 1641 profits.

1642 (2) Unless the organic rules otherwise provide, all profits and losses of a limited
 1643 cooperative association must be allocated to patron members.

1644 (3) If a limited cooperative association has investor members, the organic rules may not
 1645 reduce the allocation to patron members to less than 50% of profits. For purposes of this
 1646 Subsection (3), the following rules apply:

1647 (a) Amounts paid or due on contracts for the delivery to the association by patron
 1648 members of products, goods, or services are not considered amounts allocated to patron
 1649 members.

1650 (b) Amounts paid, due, or allocated to investor members as a stated fixed return on
 1651 equity are not considered amounts allocated to investor members.

1652 (4) Unless prohibited by the organic rules, in determining the profits for allocation
 1653 under Subsections (1), (2), and (3), the board of directors may first deduct and set aside a part

1654 of the profits to create or accumulate:

1655 (a) an unallocated capital reserve; and

1656 (b) reasonable unallocated reserves for specific purposes, including expansion and
1657 replacement of capital assets; education, training, cooperative development; creation and
1658 distribution of information concerning principles of cooperation; and community responsibility.

1659 (5) Subject to Subsections (2) and (6) and the organic rules, the board of directors shall
1660 allocate the amount remaining after any deduction or setting aside of profits for unallocated
1661 reserves under Subsection (4):

1662 (a) to patron members in the ratio of each member's patronage to the total patronage of
1663 all patron members during the period for which allocations are to be made; and

1664 (b) to investor members, if any, in the ratio of each investor member's contributions to
1665 the total contributions of all investor members.

1666 (6) For purposes of allocation of profits and losses or specific items of profits or losses
1667 of a limited cooperative association to members, the organic rules may establish allocation units
1668 or methods based on separate classes of members or, for patron members, on class, function,
1669 division, district, department, allocation units, pooling arrangements, members' contributions, or
1670 other equitable methods.

1671 Section 96. Section **16-16-1005** is enacted to read:

1672 **16-16-1005. Distributions.**

1673 (1) Unless the organic rules otherwise provide and subject to Section 16-16-1007, the
1674 board of directors may authorize, and the limited cooperative association may make,
1675 distributions to members.

1676 (2) Unless the organic rules otherwise provide, distributions to members may be made
1677 in any form, including money, capital credits, allocated patronage equities, revolving fund
1678 certificates, and the limited cooperative association's own or other securities.

1679 Section 97. Section **16-16-1006** is enacted to read:

1680 **16-16-1006. Redemption or repurchase.**

1681 Property distributed to a member by a limited cooperative association, other than

1682 money, may be redeemed or repurchased as provided in the organic rules but a redemption or
1683 repurchase may not be made without authorization by the board of directors. The board may
1684 withhold authorization for any reason in its sole discretion. A redemption or repurchase is
1685 treated as a distribution for purposes of Section 16-16-1007.

1686 Section 98. Section **16-16-1007** is enacted to read:

1687 **16-16-1007. Limitations on distributions.**

1688 (1) A limited cooperative association may not make a distribution if, after the
1689 distribution:

1690 (a) the association would not be able to pay its debts as they become due in the ordinary
1691 course of the association's activities; or

1692 (b) the association's assets would be less than the sum of its total liabilities.

1693 (2) A limited cooperative association may base a determination that a distribution is not
1694 prohibited under Subsection (1) on financial statements prepared on the basis of accounting
1695 practices and principles that are reasonable in the circumstances or on a fair valuation or other
1696 method that is reasonable in the circumstances.

1697 (3) Except as otherwise provided in Subsection (4), the effect of a distribution allowed
1698 under Subsection (2) is measured:

1699 (a) in the case of distribution by purchase, redemption, or other acquisition of financial
1700 rights in the limited cooperative association, as of the date money or other property is
1701 transferred or debt is incurred by the association; and

1702 (b) in all other cases, as of the date:

1703 (i) the distribution is authorized, if the payment occurs not later than 120 days after that
1704 date; or

1705 (ii) the payment is made, if payment occurs more than 120 days after the distribution is
1706 authorized.

1707 (4) If indebtedness is issued as a distribution, each payment of principal or interest on
1708 the indebtedness is treated as a distribution, the effect of which is measured on the date the
1709 payment is made.

1710 (5) For purposes of this section, "distribution" does not include reasonable amounts
1711 paid to a member in the ordinary course of business as payment or compensation for
1712 commodities, goods, past or present services, or reasonable payments made in the ordinary
1713 course of business under a bona fide retirement or other benefits program.

1714 Section 99. Section **16-16-1008** is enacted to read:

1715 **16-16-1008. Liability for improper distributions -- Limitation of action.**

1716 (1) A director who consents to a distribution that violates Section 16-16-1007 is
1717 personally liable to the limited cooperative association for the amount of the distribution which
1718 exceeds the amount that could have been distributed without the violation if it is established that
1719 in consenting to the distribution the director failed to comply with Section 16-16-818 or
1720 16-16-819.

1721 (2) A member or transferee of financial rights which received a distribution knowing
1722 that the distribution was made in violation of Section 16-16-1007 is personally liable to the
1723 limited cooperative association to the extent the distribution exceeded the amount that could
1724 have been properly paid.

1725 (3) A director against whom an action is commenced under Subsection (1) may:

1726 (a) implead in the action any other director who is liable under Subsection (1) and
1727 compel contribution from the person; and

1728 (b) implead in the action any person that is liable under Subsection (2) and compel
1729 contribution from the person in the amount the person received as described in Subsection (2).

1730 (4) An action under this section is barred if it is commenced later than two years after
1731 the distribution.

1732 Section 100. Section **16-16-1009** is enacted to read:

1733 **16-16-1009. Alternative distribution of unclaimed property, distributions,**
1734 **redemptions, or payments.**

1735 A limited cooperative association may distribute unclaimed property, distributions,
1736 redemptions, or payments by complying with Section 3-1-11.

1737 Section 101. Section **16-16-1101** is enacted to read:

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:

- 1766 (A) a creation or perfection of a security interest; or
1767 (B) a charging order in effect under Section 16-16-505 which has not been foreclosed;
1768 (iii) the member is a limited liability company, association, or partnership, it has been
1769 dissolved, and its business is being wound up;
1770 (iv) the member is a corporation or cooperative and:
1771 (A) the member filed a certificate of dissolution or the equivalent, or the jurisdiction of
1772 formation revoked the association's charter or right to conduct business;
1773 (B) the association sends a notice to the member that it will be expelled as a member for
1774 a reason described in Subsection (4)(d)(iv)(A); and
1775 (C) not later than 90 days after the notice was sent under Subsection (4)(d)(iv)(B), the
1776 member did not revoke the member's certificate of dissolution or the equivalent, or the
1777 jurisdiction of formation did not reinstate the association's charter or right to conduct business;
1778 or
1779 (v) the member is an individual and is adjudged incompetent;
1780 (e) in the case of a member who is an individual, the individual dies;
1781 (f) in the case of a member that is a trust or is acting as a member by virtue of being a
1782 trustee of a trust, all the trust's financial rights in the association are distributed;
1783 (g) in the case of a member that is an estate, the estate's entire financial interest in the
1784 association is distributed;
1785 (h) in the case of a member that is not an individual, partnership, limited liability
1786 company, cooperative, corporation, trust, or estate, the member is terminated; or
1787 (i) the association's participation in a merger if, under the plan of merger as approved
1788 under Part 16, Conversion and Merger, the member ceases to be a member.
1789 Section 102. Section **16-16-1102** is enacted to read:
1790 **16-16-1102. Effect of dissociation as member.**
1791 (1) Upon a member's dissociation:
1792 (a) subject to Section 16-16-1103, the person has no further rights as a member; and
1793 (b) subject to Section 16-16-1103 and Part 16, Conversion and Merger, any financial

1794 rights owned by the person in the person's capacity as a member immediately before dissociation
1795 are owned by the person as a transferee.

1796 (2) A person's dissociation as a member does not of itself discharge the person from any
1797 debt, obligation, or liability to the limited cooperative association which the person incurred
1798 under the organic rules, by contract, or by other means while a member.

1799 Section 103. Section **16-16-1103** is enacted to read:

1800 **16-16-1103. Power of estate of member.**

1801 Unless the organic rules provide for greater rights, if a member is dissociated because of
1802 death, dies, or is expelled by reason of being adjudged incompetent, the member's personal
1803 representative or other legal representative may exercise the rights of a transferee of the
1804 member's financial rights and, for purposes of settling the estate of a deceased member, may
1805 exercise the informational rights of a current member to obtain information under Section
1806 16-16-505.

1807 Section 104. Section **16-16-1201** is enacted to read:

1808 **Part 12. Dissolution**

1809 **16-16-1201. Dissolution and winding up.**

1810 A limited cooperative association is dissolved only as provided in this part and upon
1811 dissolution winds up in accordance with this part.

1812 Section 105. Section **16-16-1202** is enacted to read:

1813 **16-16-1202. Nonjudicial dissolution.**

1814 Except as otherwise provided in Sections 16-16-1203 and 16-16-1211, a limited
1815 cooperative association is dissolved and its activities must be wound up:

1816 (1) upon the occurrence of an event or at a time specified in the articles of organization;

1817 (2) upon the action of the association's organizers, board of directors, or members
1818 under Section 16-16-1204 or 16-16-1205; or

1819 (3) 90 days after the dissociation of a member, which results in the association having
1820 one patron member and no other members, unless the association:

1821 (a) has a sole member that is a cooperative; or

1822 (b) not later than the end of the 90-day period, admits at least one member in
1823 accordance with the organic rules and has at least two members, at least one of which is a
1824 patron member.

1825 Section 106. Section **16-16-1203** is enacted to read:

1826 **16-16-1203. Judicial dissolution.**

1827 The district court may dissolve a limited cooperative association or order any action that
1828 under the circumstances is appropriate and equitable:

1829 (1) in a proceeding initiated by the attorney general, if:

1830 (a) the association obtained its articles of organization through fraud; or

1831 (b) the association has continued to exceed or abuse the authority conferred upon it by
1832 law; or

1833 (2) in a proceeding initiated by a member, if:

1834 (a) the directors are deadlocked in the management of the association's affairs, the
1835 members are unable to break the deadlock, and irreparable injury to the association is occurring
1836 or is threatened because of the deadlock;

1837 (b) the directors or those in control of the association have acted, are acting, or will act
1838 in a manner that is illegal, oppressive, or fraudulent;

1839 (c) the members are deadlocked in voting power and have failed to elect successors to
1840 directors whose terms have expired for two consecutive periods during which annual members
1841 meetings were held or were to be held; or

1842 (d) the assets of the association are being misapplied or wasted.

1843 Section 107. Section **16-16-1204** is enacted to read:

1844 **16-16-1204. Voluntary dissolution before commencement of activity.**

1845 A majority of the organizers or initial directors of a limited cooperative association that
1846 has not yet begun business activity or the conduct of its affairs may dissolve the association.

1847 Section 108. Section **16-16-1205** is enacted to read:

1848 **16-16-1205. Voluntary dissolution by the board and members.**

1849 (1) Except as otherwise provided in Section 16-16-1204, for a limited cooperative

1850 association to voluntarily dissolve:

1851 (a) a resolution to dissolve must be approved by a majority vote of the board of
1852 directors unless a greater percentage is required by the organic rules;

1853 (b) the board of directors must call a members meeting to consider the resolution, to be
1854 held not later than 90 days after adoption of the resolution; and

1855 (c) the board of directors must mail or otherwise transmit or deliver to each member in
1856 a record that complies with Section 16-16-508:

1857 (i) the resolution required by Subsection (1)(a);

1858 (ii) a recommendation that the members vote in favor of the resolution or, if the board
1859 determines that because of conflict of interest or other special circumstances it should not make
1860 a favorable recommendation, the basis of that determination; and

1861 (iii) notice of the members meeting, which must be given in the same manner as notice
1862 of a special meeting of members.

1863 (2) Subject to Subsection (3), a resolution to dissolve must be approved by:

1864 (a) at least two-thirds of the voting power of members present at a members meeting
1865 called under Subsection (1)(b); and

1866 (b) if the limited cooperative association has investor members, at least a majority of the
1867 votes cast by patron members, unless the organic rules require a greater percentage.

1868 (3) The organic rules may require that the percentage of votes under Subsection (2)(a)
1869 is:

1870 (a) a different percentage that is not less than a majority of members voting at the
1871 meeting;

1872 (b) measured against the voting power of all members; or

1873 (c) a combination of Subsections (3)(a) and (b).

1874 Section 109. Section **16-16-1206** is enacted to read:

1875 **16-16-1206. Winding up.**

1876 (1) A limited cooperative association continues after dissolution only for purposes of
1877 winding up its activities.

1878 (2) In winding up a limited cooperative association's activities, the board of directors
1879 shall cause the association to:

1880 (a) discharge its liabilities, settle and close its activities, and marshal and distribute its
1881 assets;

1882 (b) preserve the association or its property as a going concern for no more than a
1883 reasonable time;

1884 (c) prosecute and defend actions and proceedings;

1885 (d) transfer association property; and

1886 (e) perform other necessary acts.

1887 (3) After dissolution and upon application of a limited cooperative association, a
1888 member, or a holder of financial rights, the district court may order judicial supervision of the
1889 winding up of the association, including the appointment of a person to wind up the
1890 association's activities, if:

1891 (a) after a reasonable time, the association has not wound up its activities; or

1892 (b) the applicant establishes other good cause.

1893 (4) If a person is appointed pursuant to Subsection (3) to wind up the activities of a
1894 limited cooperative association, the association shall promptly deliver to the division for filing
1895 an amendment to the articles of organization to reflect the appointment.

1896 Section 110. Section **16-16-1207** is enacted to read:

1897 **16-16-1207. Distribution of assets in winding up limited cooperative association.**

1898 (1) In winding up a limited cooperative association's business, the association shall
1899 apply its assets to discharge its obligations to creditors, including members that are creditors.

1900 The association shall apply any remaining assets to pay in money the net amount distributable to
1901 members in accordance with their right to distributions under Subsection (2).

1902 (2) Unless the organic rules otherwise provide, in this Subsection (2) "financial
1903 interests" means the amounts recorded in the names of members in the records of a limited
1904 cooperative association at the time a distribution is made, including amounts paid to become a
1905 member, amounts allocated but not distributed to members, and amounts of distributions

1906 authorized but not yet paid to members. Unless the organic rules otherwise provide, each
1907 member is entitled to a distribution from the association of any remaining assets in the
1908 proportion of the member's financial interests to the total financial interests of the members after
1909 all other obligations are satisfied.

1910 Section 111. Section **16-16-1208** is enacted to read:

1911 **16-16-1208. Known claims against dissolved limited cooperative association.**

1912 (1) Subject to Subsection (4), a dissolved limited cooperative association may dispose
1913 of the known claims against it by following the procedure in Subsections (2) and (3).

1914 (2) A dissolved limited cooperative association may notify its known claimants of the
1915 dissolution in a record. The notice must:

1916 (a) specify that a claim be in a record;

1917 (b) specify the information required to be included in the claim;

1918 (c) provide an address to which the claim must be sent;

1919 (d) state the deadline for receipt of the claim, which may not be less than 120 days after
1920 the date the notice is received by the claimant; and

1921 (e) state that the claim will be barred if not received by the deadline.

1922 (3) A claim against a dissolved limited cooperative association is barred if the
1923 requirements of Subsection (2) are met, and:

1924 (a) the association is not notified of the claimant's claim, in a record, by the deadline
1925 specified in the notice under Subsection (2)(d);

1926 (b) in the case of a claim that is timely received but rejected by the association, the
1927 claimant does not commence an action to enforce the claim against the association not later than
1928 90 days after receipt of the notice of the rejection; or

1929 (c) if a claim is timely received but is neither accepted nor rejected by the association
1930 not later than 120 days after the deadline for receipt of claims, the claimant does not commence
1931 an action to enforce the claim against the association:

1932 (i) after the 120-day period; and

1933 (ii) not later than 90 days after the 120-day period.

1934 (4) This section does not apply to a claim based on an event occurring after the date of
1935 dissolution or a liability that is contingent on that date.

1936 Section 112. Section **16-16-1209** is enacted to read:

1937 **16-16-1209. Other claims against dissolved limited cooperative association.**

1938 (1) A dissolved limited cooperative association may publish notice of its dissolution and
1939 request persons having claims against the association to present them in accordance with the
1940 notice.

1941 (2) A notice under Subsection (1) must:

1942 (a) be published at least once in a newspaper of general circulation in the county in
1943 which the dissolved limited cooperative association's principal office is located or, if the
1944 association does not have a principal office in this state, in the county in which the association's
1945 designated office is or was last located;

1946 (b) describe the information required to be contained in a claim and provide an address
1947 to which the claim is to be sent; and

1948 (c) state that a claim against the association is barred unless an action to enforce the
1949 claim is commenced not later than three years after publication of the notice.

1950 (3) If a dissolved limited cooperative association publishes a notice in accordance with
1951 Subsection (2), the claim of each of the following claimants is barred unless the claimant
1952 commences an action to enforce the claim not later than three years after the first publication
1953 date of the notice:

1954 (a) a claimant that is entitled to but did not receive notice in a record under Section
1955 16-16-1208; and

1956 (b) a claimant whose claim is contingent or based on an event occurring after the
1957 effective date of dissolution.

1958 (4) A claim not barred under this section may be enforced:

1959 (a) against a dissolved limited cooperative association, to the extent of its undistributed
1960 assets; or

1961 (b) if the association's assets have been distributed in connection with winding up the

1962 association's activities against a member or holder of financial rights to the extent of that
1963 person's proportionate share of the claim or the association's assets distributed to the person in
1964 connection with the winding up, whichever is less. The person's total liability for all claims
1965 under this Subsection (4) shall not exceed the total amount of assets distributed to the person as
1966 part of the winding up of the association.

1967 Section 113. Section **16-16-1210** is enacted to read:

1968 **16-16-1210. Court proceeding.**

1969 (1) Upon application by a dissolved limited cooperative association that has published a
1970 notice under Section 16-16-1209, the district court in the county where the association's
1971 principal office is located or, if the association does not have a principal office in this state
1972 where its designated office in this state is located, may determine the amount and form of
1973 security to be provided for payment of claims against the association that are contingent, have
1974 not been made known to the association, or are based on an event occurring after the effective
1975 date of dissolution but that, based on the facts known to the association, are reasonably
1976 anticipated to arise after the effective date of dissolution.

1977 (2) Not later than ten days after filing an application under Subsection (1), a dissolved
1978 limited cooperative association shall give notice of the proceeding to each known claimant
1979 holding a contingent claim.

1980 (3) The court may appoint a representative in a proceeding brought under this section
1981 to represent all claimants whose identities are unknown. The dissolved limited cooperative
1982 association shall pay reasonable fees and expenses of the representative, including all reasonable
1983 attorney and expert witness fees.

1984 (4) Provision by the dissolved limited cooperative association for security in the amount
1985 and the form ordered by the court satisfies the association's obligations with respect to claims
1986 that are contingent, have not been made known to the association, or are based on an event
1987 occurring after the effective date of dissolution, and the claims may not be enforced against a
1988 member that received a distribution.

1989 Section 114. Section **16-16-1211** is enacted to read:

1990 **16-16-1211. Administrative dissolution.**

1991 (1) The division may dissolve a limited cooperative association administratively if the
1992 association does not:

1993 (a) pay, not later than 60 days after the due date, any fee, tax, or penalty due to the
1994 division under this chapter or other law; or

1995 (b) deliver not later than 60 days after the due date its annual report to the division.

1996 (2) If the division determines that a ground exists for dissolving a limited cooperative
1997 association administratively, the division shall file a record of the determination and serve the
1998 association with a copy of the record.

1999 (3) If, not later than 60 days after service of a copy of the division's determination under
2000 Subsection (2), the association does not correct each ground for dissolution or demonstrate to
2001 the satisfaction of the division that each uncorrected ground determined by the division does not
2002 exist, the division shall dissolve the association administratively by preparing and filing a
2003 declaration of dissolution which states the grounds for dissolution. The division shall serve the
2004 association with a copy of the declaration.

2005 (4) A limited cooperative association that has been dissolved administratively continues
2006 its existence only for purposes of winding up its activities.

2007 (5) The administrative dissolution of a limited cooperative association does not
2008 terminate the authority of its agent for service of process.

2009 Section 115. Section **16-16-1212** is enacted to read:

2010 **16-16-1212. Reinstatement following administrative dissolution.**

2011 (1) A limited cooperative association that has been dissolved administratively may apply
2012 to the division for reinstatement not later than two years after the effective date of dissolution.

2013 The application must be delivered to the division for filing and state:

2014 (a) the name of the association and the effective date of its administrative dissolution;

2015 (b) that the grounds for dissolution either did not exist or have been eliminated; and

2016 (c) that the association's name satisfies the requirements of Section 16-16-111.

2017 (2) If the division determines that an application contains the information required by

2018 Subsection (1) and that the information is correct, the division shall:

2019 (a) prepare a declaration of reinstatement;

2020 (b) file the original of the declaration; and

2021 (c) serve a copy of the declaration on the association.

2022 (3) When reinstatement under this section becomes effective, it relates back to and
2023 takes effect as of the effective date of the administrative dissolution, and the limited cooperative
2024 association may resume or continue its activities as if the administrative dissolution had not
2025 occurred.

2026 Section 116. Section **16-16-1213** is enacted to read:

2027 **16-16-1213. Denial of reinstatement -- Appeal.**

2028 (1) If the division denies a limited cooperative association's application for
2029 reinstatement following administrative dissolution, the division shall prepare and file a notice
2030 that explains the reason for denial and serve the association with a copy of the notice.

2031 (2) Not later than 30 days after service of a notice of denial of reinstatement by the
2032 division, a limited cooperative association may appeal the denial by petitioning the district court
2033 to set aside the dissolution. The petition must be served on the division and contain a copy of
2034 the division's declaration of dissolution, the association's application for reinstatement, and the
2035 division's notice of denial.

2036 (3) The court may summarily order the division to reinstate the dissolved cooperative
2037 association or may take other action the court considers appropriate.

2038 Section 117. Section **16-16-1214** is enacted to read:

2039 **16-16-1214. Statement of dissolution.**

2040 (1) A limited cooperative association that has dissolved or is about to dissolve may
2041 deliver to the division for filing a statement of dissolution that states:

2042 (a) the name of the association;

2043 (b) the date the association dissolved or will dissolve; and

2044 (c) any other information the association considers relevant.

2045 (2) A person has notice of a limited cooperative association's dissolution on the later of:

2046 (a) 90 days after a statement of dissolution is filed; or

2047 (b) the effective date stated in the statement of dissolution.

2048 Section 118. Section **16-16-1215** is enacted to read:

2049 **16-16-1215. Statement of termination.**

2050 (1) A dissolved limited cooperative association that has completed winding up may
2051 deliver to the division for filing a statement of termination that states:

2052 (a) the name of the association;

2053 (b) the date of filing of its initial articles of organization; and

2054 (c) that the association is terminated.

2055 (2) The filing of a statement of termination does not itself terminate the limited
2056 cooperative association.

2057 Section 119. Section **16-16-1301** is enacted to read:

2058 **Part 13. Action by member**

2059 **16-16-1301. Derivative action.**

2060 A member may maintain a derivative action to enforce a right of a limited cooperative
2061 association if:

2062 (1) the member demands that the association bring an action to enforce the right; and

2063 (2) any of the following occur:

2064 (a) the association does not, not later than 90 days after the member makes the demand,
2065 agree to bring the action;

2066 (b) the association notifies the member that it has rejected the demand;

2067 (c) irreparable harm to the association would result by waiting 90 days after the member
2068 makes the demand; or

2069 (d) the association agrees to bring an action demanded and fails to bring the action
2070 within a reasonable time.

2071 Section 120. Section **16-16-1302** is enacted to read:

2072 **16-16-1302. Proper plaintiff.**

2073 (1) A derivative action to enforce a right of a limited cooperative association may be

2074 maintained only by a person that:

2075 (a) is a member or a dissociated member at the time the action is commenced and:

2076 (i) was a member when the conduct giving rise to the action occurred; or

2077 (ii) whose status as a member devolved upon the person by operation of law or the

2078 organic rules from a person that was a member at the time of the conduct; and

2079 (b) adequately represents the interests of the association.

2080 (2) If the sole plaintiff in a derivative action dies while the action is pending, the court

2081 may permit another member who meets the requirements of Subsection (1) to be substituted as

2082 plaintiff.

2083 Section 121. Section **16-16-1303** is enacted to read:

2084 **16-16-1303. Pleading.**

2085 In a derivative action to enforce a right of a limited cooperative association, the

2086 complaint must state:

2087 (1) the date and content of the plaintiff's demand under Subsection 16-16-1301(1) and

2088 the association's response;

2089 (2) if 90 days have not expired since the demand, how irreparable harm to the

2090 association would result by waiting for the expiration of 90 days; and

2091 (3) if the association agreed to bring an action demanded, that the action has not been

2092 brought within a reasonable time.

2093 Section 122. Section **16-16-1304** is enacted to read:

2094 **16-16-1304. Approval for discontinuance or settlement.**

2095 A derivative action to enforce a right of a limited cooperative association may not be

2096 discontinued or settled without the court's approval.

2097 Section 123. Section **16-16-1305** is enacted to read:

2098 **16-16-1305. Proceeds and expenses.**

2099 (1) Except as otherwise provided in Subsection (2):

2100 (a) any proceeds or other benefits of a derivative action to enforce a right of a limited

2101 cooperative association, whether by judgment, compromise, or settlement, belong to the

2102 association and not to the plaintiff; and

2103 (b) if the plaintiff in the derivative action receives any proceeds, the plaintiff shall
2104 immediately remit them to the association.

2105 (2) If a derivative action to enforce a right of a limited cooperative association is
2106 successful in whole or in part, the court may award the plaintiff reasonable expenses, including
2107 reasonable attorney fees and costs, from the recovery of the association.

2108 Section 124. Section **16-16-1401** is enacted to read:

2109 **Part 14. Foreign Cooperatives**

2110 **16-16-1401. Governing law.**

2111 (1) The law of the state or other jurisdiction under which a foreign cooperative is
2112 organized governs relations among the members of the foreign cooperative and between the
2113 members and the foreign cooperative.

2114 (2) A foreign cooperative may not be denied a certificate of authority because of any
2115 difference between the law of the jurisdiction under which the foreign cooperative is organized
2116 and the law of this state.

2117 (3) A certificate of authority does not authorize a foreign cooperative to engage in any
2118 activity or exercise any power that a limited cooperative association may not engage in or
2119 exercise in this state.

2120 Section 125. Section **16-16-1402** is enacted to read:

2121 **16-16-1402. Application for certificate of authority.**

2122 (1) A foreign cooperative may apply for a certificate of authority by delivering an
2123 application to the division for filing. The application must state:

2124 (a) the name of the foreign cooperative and, if the name does not comply with Section
2125 16-16-111, an alternative name adopted pursuant to Section 16-16-1405;

2126 (b) the name of the state or other jurisdiction under whose law the foreign cooperative
2127 is organized;

2128 (c) the street address and, if different, mailing address of the principal office and, if the
2129 law of the jurisdiction under which the foreign cooperative is organized requires the foreign

2130 cooperative to maintain another office in that jurisdiction, the street address and, if different,
2131 mailing address of the required office;

2132 (d) the street address and, if different, mailing address of the foreign cooperative's
2133 designated office in this state, and the name of the foreign cooperative's agent for service of
2134 process at the designated office; and

2135 (e) the name, street address and, if different, mailing address of each of the foreign
2136 cooperative's current directors and officers.

2137 (2) A foreign cooperative shall deliver with a completed application under Subsection
2138 (1) a certificate of good standing or a similar record signed by the division or other official
2139 having custody of the foreign cooperative's publicly filed records in the state or other
2140 jurisdiction under whose law the foreign cooperative is organized.

2141 Section 126. Section **16-16-1403** is enacted to read:

2142 **16-16-1403. Activities not constituting transacting business.**

2143 (1) Activities of a foreign cooperative which do not constitute transacting business in
2144 this state under this part include:

2145 (a) maintaining, defending, and settling an action or proceeding;

2146 (b) holding meetings of the foreign cooperative's members or directors or carrying on
2147 any other activity concerning the foreign cooperative's internal affairs;

2148 (c) maintaining accounts in financial institutions;

2149 (d) maintaining offices or agencies for the transfer, exchange, and registration of the
2150 foreign cooperative's own securities or maintaining trustees or depositories with respect to
2151 those securities;

2152 (e) selling through independent contractors;

2153 (f) soliciting or obtaining orders, whether by mail or electronic means, through
2154 employees, agents, or otherwise, if the orders require acceptance outside this state before they
2155 become contracts;

2156 (g) creating or acquiring indebtedness, mortgages, or security interests in real or
2157 personal property;

2158 (h) securing or collecting debts or enforcing mortgages or other security interests in
2159 property securing the debts, and holding, protecting, and maintaining property so acquired;

2160 (i) conducting an isolated transaction that is completed within 30 days and is not one in
2161 the course of similar transactions; and

2162 (j) transacting business in interstate commerce.

2163 (2) For purposes of this part, the ownership in this state of income-producing real
2164 property or tangible personal property, other than property excluded under Subsection (1),
2165 constitutes transacting business in this state.

2166 (3) This section does not apply in determining the contacts or activities that may subject
2167 a foreign cooperative to service of process, taxation, or regulation under law of this state other
2168 than this chapter.

2169 Section 127. Section **16-16-1404** is enacted to read:

2170 **16-16-1404. Issuance of certificate of authority.**

2171 Unless the division determines that an application for a certificate of authority does not
2172 comply with the filing requirements of this chapter, the division, upon payment by the foreign
2173 cooperative of all filing fees, shall file the application, issue a certificate of authority, and send a
2174 copy of the filed certificate, together with a receipt for the fees, to the foreign cooperative or its
2175 representative.

2176 Section 128. Section **16-16-1405** is enacted to read:

2177 **16-16-1405. Noncomplying name of foreign cooperative.**

2178 (1) A foreign cooperative whose name does not comply with Section 16-16-111 may
2179 not obtain a certificate of authority until it adopts, for the purpose of transacting business in this
2180 state, an alternative name that complies with Section 16-16-111. A foreign cooperative that
2181 adopts an alternative name under this Subsection (1) and then obtains a certificate of authority
2182 with that name need not also comply with Section 42-2-5. After obtaining a certificate of
2183 authority with an alternative name, a foreign cooperative's business in this state must be
2184 transacted under that name unless the foreign cooperative is authorized under Section 42-2-5 to
2185 transact business in this state under another name.

2186 (2) If a foreign cooperative authorized to transact business in this state changes its name
2187 to one that does not comply with Section 16-16-111, it may not thereafter transact business in
2188 this state until it complies with Subsection (1) and obtains an amended certificate of authority.

2189 Section 129. Section **16-16-1406** is enacted to read:

2190 **16-16-1406. Revocation of certificate of authority.**

2191 (1) A certificate of authority may be revoked by the division in the manner provided in
2192 Subsection (2) if the foreign cooperative does not:

2193 (a) pay, not later than 60 days after the due date, any fee, tax, or penalty due to the
2194 division under this chapter or any other law of this state;

2195 (b) deliver, not later than 60 days after the due date, its annual report;

2196 (c) appoint and maintain an agent for service of process; or

2197 (d) deliver for filing a statement of change not later than 30 days after a change has
2198 occurred in the name of the agent or the address of the foreign cooperative's designated office.

2199 (2) To revoke a certificate of authority, the division must file a notice of revocation and
2200 send a copy to the foreign cooperative's registered agent for service of process in this state or, if
2201 the foreign cooperative does not appoint and maintain an agent for service of process in this
2202 state, to the foreign cooperative's principal office. The notice must state:

2203 (a) the revocation's effective date, which must be at least 60 days after the date the
2204 division sends the copy; and

2205 (b) the foreign cooperative's noncompliance that is the reason for the revocation.

2206 (3) The authority of a foreign cooperative to transact business in this state ceases on the
2207 effective date of the notice of revocation unless before that date the foreign cooperative cures
2208 each failure to comply stated in the notice. If the foreign cooperative cures the failures, the
2209 division shall so indicate on the filed notice.

2210 Section 130. Section **16-16-1407** is enacted to read:

2211 **16-16-1407. Cancellation of certificate of authority -- Effect of failure to have**
2212 **certificate.**

2213 (1) To cancel its certificate of authority, a foreign cooperative must deliver to the

2214 division for filing a notice of cancellation. The certificate is canceled when the notice becomes
2215 effective under Section 16-16-203.

2216 (2) A foreign cooperative transacting business in this state may not maintain an action
2217 or proceeding in this state unless it has a certificate of authority.

2218 (3) The failure of a foreign cooperative to have a certificate of authority does not impair
2219 the validity of a contract or act of the foreign cooperative or prevent the foreign cooperative
2220 from defending an action or proceeding in this state.

2221 (4) A member of a foreign cooperative is not liable for the obligations of the foreign
2222 cooperative solely by reason of the foreign cooperative's having transacted business in this state
2223 without a certificate of authority.

2224 (5) If a foreign cooperative transacts business in this state without a certificate of
2225 authority or cancels its certificate, it appoints the division as its agent for service of process for
2226 an action arising out of the transaction of business in this state.

2227 Section 131. Section **16-16-1408** is enacted to read:

2228 **16-16-1408. Action by attorney general.**

2229 The attorney general may maintain an action to restrain a foreign cooperative from
2230 transacting business in this state in violation of this part.

2231 Section 132. Section **16-16-1501** is enacted to read:

2232 **Part 15. Disposition of Assets**

2233 **16-16-1501. Disposition of assets not requiring member approval.**

2234 Unless the articles of organization otherwise provide, member approval under Section
2235 16-16-1502 is not required for a limited cooperative association to:

2236 (1) sell, lease, exchange, license, or otherwise dispose of all or any part of the assets of
2237 the association in the usual and regular course of business; or

2238 (2) mortgage, pledge, dedicate to the repayment of indebtedness, or encumber in any
2239 way all or any part of the assets of the association whether or not in the usual and regular
2240 course of business.

2241 Section 133. Section **16-16-1502** is enacted to read:

2242 **16-16-1502. Member approval of other disposition of assets.**

2243 A sale, lease, exchange, license, or other disposition of assets of a limited cooperative
2244 association, other than a disposition described in Section 16-16-1501, requires approval of the
2245 association's members under Sections 16-16-1503 and 16-16-1504 if the disposition leaves the
2246 association without significant continuing business activity.

2247 Section 134. Section **16-16-1503** is enacted to read:

2248 **16-16-1503. Notice and action on disposition of assets.**

2249 For a limited cooperative association to dispose of assets under Section 16-16-1502:

2250 (1) a majority of the board of directors, or a greater percentage if required by the
2251 organic rules, must approve the proposed disposition; and

2252 (2) the board of directors must call a members meeting to consider the proposed
2253 disposition, hold the meeting not later than 90 days after approval of the proposed disposition
2254 by the board, and mail or otherwise transmit or deliver in a record to each member:

2255 (a) the terms of the proposed disposition;

2256 (b) a recommendation that the members approve the disposition, or if the board
2257 determines that because of conflict of interest or other special circumstances it should not make
2258 a favorable recommendation, the basis for that determination;

2259 (c) a statement of any condition of the board's submission of the proposed disposition
2260 to the members; and

2261 (d) notice of the meeting at which the proposed disposition will be considered, which
2262 must be given in the same manner as notice of a special meeting of members.

2263 Section 135. Section **16-16-1504** is enacted to read:

2264 **16-16-1504. Disposition of assets.**

2265 (1) Subject to Subsection (2), a disposition of assets under Section 16-16-1502 must be
2266 approved by:

2267 (a) at least two-thirds of the voting power of members present at a members meeting
2268 called under Subsection 16-16-1503(2); and

2269 (b) if the limited cooperative association has investor members, at least a majority of the

2270 votes cast by patron members, unless the organic rules require a greater percentage vote by
2271 patron members.

2272 (2) The organic rules may require that the percentage of votes under Subsection (1)(a)
2273 is:

2274 (a) a different percentage that is not less than a majority of members voting at the
2275 meeting;

2276 (b) measured against the voting power of all members; or

2277 (c) a combination of Subsections (2)(a) and (b).

2278 (3) Subject to any contractual obligations, after a disposition of assets is approved and
2279 at any time before the consummation of the disposition, a limited cooperative association may
2280 approve an amendment to the contract for disposition or the resolution authorizing the
2281 disposition or approve abandonment of the disposition:

2282 (a) as provided in the contract or the resolution; and

2283 (b) except as prohibited by the resolution, with the same affirmative vote of the board
2284 of directors and of the members as was required to approve the disposition.

2285 (4) The voting requirements for districts, classes, or voting groups under Section
2286 16-16-404 apply to approval of a disposition of assets under this part.

2287 Section 136. Section **16-16-1601** is enacted to read:

2288 **Part 16. Conversion and Merger**

2289 **16-16-1601. Definitions.**

2290 In this part:

2291 (1) "Constituent entity" means an entity that is a party to a merger.

2292 (2) "Constituent limited cooperative association" means a limited cooperative
2293 association that is a party to a merger.

2294 (3) "Converted entity" means the organization into which a converting entity converts
2295 pursuant to Sections 16-16-1602 through 16-16-1605.

2296 (4) "Converting entity" means an entity that converts into another entity pursuant to
2297 Sections 16-16-1602 through 16-16-1605.

2298 (5) "Converting limited cooperative association" means a converting entity that is a
2299 limited cooperative association.

2300 (6) "Organizational documents" means articles of incorporation, bylaws, articles of
2301 organization, operating agreements, partnership agreements, or other documents serving a
2302 similar function in the creation and governance of an entity.

2303 (7) "Personal liability" means personal liability for a debt, liability, or other obligation of
2304 an entity imposed, by operation of law or otherwise, on a person that co-owns or has an interest
2305 in the entity:

2306 (a) by the entity's organic law solely because of the person co-owning or having an
2307 interest in the entity; or

2308 (b) by the entity's organizational documents under a provision of the entity's organic law
2309 authorizing those documents to make one or more specified persons liable for all or specified
2310 parts of the entity's debts, liabilities, and other obligations solely because the person co-owns or
2311 has an interest in the entity.

2312 (8) "Surviving entity" means an entity into which one or more other entities are merged,
2313 whether the entity existed before the merger or is created by the merger.

2314 Section 137. Section **16-16-1602** is enacted to read:

2315 **16-16-1602. Conversion.**

2316 (1) An entity that is not a limited cooperative association may convert to a limited
2317 cooperative association and a limited cooperative association may convert to an entity that is
2318 not a limited cooperative association pursuant to this section, Sections 16-16-1603 through
2319 16-16-1605, and a plan of conversion, if:

2320 (a) the other entity's organic law authorizes the conversion;

2321 (b) the conversion is not prohibited by the law of the jurisdiction that enacted the other
2322 entity's organic law; and

2323 (c) the other entity complies with its organic law in effecting the conversion.

2324 (2) A plan of conversion must be in a record and must include:

2325 (a) the name and form of the entity before conversion;

2326 (b) the name and form of the entity after conversion;

2327 (c) the terms and conditions of the conversion, including the manner and basis for
2328 converting interests in the converting entity into any combination of money, interests in the
2329 converted entity, and other consideration; and

2330 (d) the organizational documents of the proposed converted entity.

2331 Section 138. Section **16-16-1603** is enacted to read:

2332 **16-16-1603. Action on plan of conversion by converting limited cooperative**
2333 **association.**

2334 (1) For a limited cooperative association to convert to another entity, a plan of
2335 conversion must be approved by a majority of the board of directors, or a greater percentage if
2336 required by the organic rules, and the board of directors must call a members meeting to
2337 consider the plan of conversion, hold the meeting not later than 90 days after approval of the
2338 plan by the board, and mail or otherwise transmit or deliver in a record to each member:

2339 (a) the plan, or a summary of the plan and a statement of the manner in which a copy of
2340 the plan in a record may be reasonably obtained by a member;

2341 (b) a recommendation that the members approve the plan of conversion, or if the board
2342 determines that because of a conflict of interest or other circumstances it should not make a
2343 favorable recommendation, the basis for that determination;

2344 (c) a statement of any condition of the board's submission of the plan of conversion to
2345 the members; and

2346 (d) notice of the meeting at which the plan of conversion will be considered, which
2347 must be given in the same manner as notice of a special meeting of members.

2348 (2) Subject to Subsections (3) and (4), a plan of conversion must be approved by:

2349 (a) at least two-thirds of the voting power of members present at a members meeting
2350 called under Subsection (1); and

2351 (b) if the limited cooperative association has investor members, at least a majority of the
2352 votes cast by patron members, unless the organic rules require a greater percentage vote by
2353 patron members.

2354 (3) The organic rules may require that the percentage of votes under Subsection (2)(a)
2355 is:

2356 (a) a different percentage that is not less than a majority of members voting at the
2357 meeting;

2358 (b) measured against the voting power of all members; or

2359 (c) a combination of Subsections (3)(a) and (b).

2360 (4) The vote required to approve a plan of conversion may not be less than the vote
2361 required for the members of the limited cooperative association to amend the articles of
2362 organization.

2363 (5) Consent in a record to a plan of conversion by a member must be delivered to the
2364 limited cooperative association before delivery of articles of conversion for filing if as a result of
2365 the conversion the member will have:

2366 (a) personal liability for an obligation of the association; or

2367 (b) an obligation or liability for an additional contribution.

2368 (6) Subject to Subsection (5) and any contractual rights, after a conversion is approved
2369 and at any time before the effective date of the conversion, a converting limited cooperative
2370 association may amend a plan of conversion or abandon the planned conversion:

2371 (a) as provided in the plan; and

2372 (b) except as prohibited by the plan, by the same affirmative vote of the board of
2373 directors and of the members as was required to approve the plan.

2374 (7) The voting requirements for districts, classes, or voting groups under Section
2375 16-16-404 apply to approval of a conversion under this part.

2376 Section 139. Section **16-16-1604** is enacted to read:

2377 **16-16-1604. Filings required for conversion -- Effective date.**

2378 (1) After a plan of conversion is approved:

2379 (a) a converting limited cooperative association shall deliver to the division for filing
2380 articles of conversion, which must include:

2381 (i) a statement that the limited cooperative association has been converted into another

2382 entity;

2383 (ii) the name and form of the converted entity and the jurisdiction of its governing

2384 statute;

2385 (iii) the date the conversion is effective under the governing statute of the converted

2386 entity;

2387 (iv) a statement that the conversion was approved as required by this chapter;

2388 (v) a statement that the conversion was approved as required by the governing statute

2389 of the converted entity; and

2390 (vi) if the converted entity is an entity organized in a jurisdiction other than this state

2391 and is not authorized to transact business in this state, the street address and, if different,

2392 mailing address of an office which the division may use for purposes of Section 16-16-120; and

2393 (b) if the converting entity is not a converting limited cooperative association, the

2394 converting entity shall deliver to the division for filing articles of organization, which must

2395 include, in addition to the information required by Section 16-16-302:

2396 (i) a statement that the association was converted from another entity;

2397 (ii) the name and form of the converting entity and the jurisdiction of its governing

2398 statute; and

2399 (iii) a statement that the conversion was approved in a manner that complied with the

2400 converting entity's governing statute.

2401 (2) A conversion becomes effective:

2402 (a) if the converted entity is a limited cooperative association, when the articles of

2403 conversion take effect pursuant to Subsection 16-16-203(3); or

2404 (b) if the converted entity is not a limited cooperative association, as provided by the

2405 governing statute of the converted entity.

2406 Section 140. Section **16-16-1605** is enacted to read:

2407 **16-16-1605. Effect of conversion.**

2408 (1) An entity that has been converted pursuant to this part is for all purposes the same

2409 entity that existed before the conversion and is not a new entity but, after conversion, is

2410 organized under the organic law of the converted entity and is subject to that law and other law
2411 as it applies to the converted entity.

2412 (2) When a conversion takes effect under this part:

2413 (a) all property owned by the converting entity remains vested in the converted entity;

2414 (b) all debts, liabilities, and other obligations of the converting entity continue as
2415 obligations of the converted entity;

2416 (c) an action or proceeding pending by or against the converting entity may be
2417 continued as if the conversion had not occurred;

2418 (d) except as prohibited by other law, all the rights, privileges, immunities, powers, and
2419 purposes of the converting entity remain vested in the converted entity;

2420 (e) except as otherwise provided in the plan of conversion, the terms and conditions of
2421 the plan of conversion take effect; and

2422 (f) except as otherwise provided in the plan of conversion, the conversion does not
2423 dissolve a converting limited cooperative association for purposes of Part 12, Dissolution.

2424 (3) A converted entity that is an entity organized under the laws of a jurisdiction other
2425 than this state consents to the jurisdiction of the courts of this state to enforce any obligation
2426 owed by the converting limited cooperative association if, before the conversion, the converting
2427 limited cooperative association was subject to suit in this state on the obligation. A converted
2428 entity that is an entity organized under the laws of a jurisdiction other than this state and not
2429 authorized to transact business in this state appoints the division as its agent for service of
2430 process for purposes of enforcing an obligation under this Subsection (3). Service on the
2431 division under this Subsection (3) is made in the same manner and with the same consequences
2432 as under Subsections 16-16-120(3) and (4).

2433 Section 141. Section **16-16-1606** is enacted to read:

2434 **16-16-1606. Merger.**

2435 (1) One or more limited cooperative associations may merge with one or more other
2436 entities pursuant to this part and a plan of merger if:

2437 (a) the governing statute of each of the other entities authorizes the merger;

- 2438 (b) the merger is not prohibited by the law of a jurisdiction that enacted any of those
2439 governing statutes; and
- 2440 (c) each of the other entities complies with its governing statute in effecting the merger.
- 2441 (2) A plan of merger must be in a record and must include:
- 2442 (a) the name and form of each constituent entity;
- 2443 (b) the name and form of the surviving entity and, if the surviving entity is to be created
2444 by the merger, a statement to that effect;
- 2445 (c) the terms and conditions of the merger, including the manner and basis for
2446 converting the interests in each constituent entity into any combination of money, interests in
2447 the surviving entity, and other consideration;
- 2448 (d) if the surviving entity is to be created by the merger, the surviving entity's
2449 organizational documents;
- 2450 (e) if the surviving entity is not to be created by the merger, any amendments to be
2451 made by the merger to the surviving entity's organizational documents; and
- 2452 (f) if a member of a constituent limited cooperative association will have personal
2453 liability with respect to a surviving entity, the identity of the member by descriptive class or
2454 other reasonable manner.

2455 Section 142. Section **16-16-1607** is enacted to read:

2456 **16-16-1607. Notice and action on plan of merger by constituent limited**
2457 **cooperative association.**

- 2458 (1) For a limited cooperative association to merge with another entity, a plan of merger
2459 must be approved by a majority vote of the board of directors or a greater percentage if
2460 required by the association's organic rules.
- 2461 (2) The board of directors shall call a members meeting to consider a plan of merger
2462 approved by the board, hold the meeting not later than 90 days after approval of the plan by the
2463 board, and mail or otherwise transmit or deliver in a record to each member:
- 2464 (a) the plan of merger, or a summary of the plan and a statement of the manner in which
2465 a copy of the plan in a record may be reasonably obtained by a member;

2466 (b) a recommendation that the members approve the plan of merger, or if the board
2467 determines that because of conflict of interest or other special circumstances it should not make
2468 a favorable recommendation, the basis for that determination;

2469 (c) a statement of any condition of the board's submission of the plan of merger to the
2470 members; and

2471 (d) notice of the meeting at which the plan of merger will be considered, which must be
2472 given in the same manner as notice of a special meeting of members.

2473 Section 143. Section **16-16-1608** is enacted to read:

2474 **16-16-1608. Approval or abandonment of merger by members.**

2475 (1) Subject to Subsections (2) and (3), a plan of merger must be approved by:

2476 (a) at least two-thirds of the voting power of members present at a members meeting
2477 called under Subsection 16-16-1607(2); and

2478 (b) if the limited cooperative association has investor members, at least a majority of the
2479 votes cast by patron members, unless the organic rules require a greater percentage vote by
2480 patron members.

2481 (2) The organic rules may provide that the percentage of votes under Subsection (1)(a)
2482 is:

2483 (a) a different percentage that is not less than a majority of members voting at the
2484 meeting;

2485 (b) measured against the voting power of all members; or

2486 (c) a combination of Subsections (2)(a) and (b).

2487 (3) The vote required to approve a plan of merger may not be less than the vote
2488 required for the members of the limited cooperative association to amend the articles of
2489 organization.

2490 (4) Consent in a record to a plan of merger by a member must be delivered to the
2491 limited cooperative association before delivery of articles of merger for filing pursuant to
2492 Section 16-16-1609 if as a result of the merger the member will have:

2493 (a) personal liability for an obligation of the association; or

- 2494 (b) an obligation or liability for an additional contribution.
- 2495 (5) Subject to Subsection (4) and any contractual rights, after a merger is approved, and
2496 at any time before the effective date of the merger, a limited cooperative association that is a
2497 party to the merger may approve an amendment to the plan of merger or approve abandonment
2498 of the planned merger:
- 2499 (a) as provided in the plan; and
- 2500 (b) except as prohibited by the plan, with the same affirmative vote of the board of
2501 directors and of the members as was required to approve the plan.
- 2502 (6) The voting requirements for districts, classes, or voting groups under Section
2503 16-16-404 apply to approval of a merger under this part.
- 2504 Section 144. Section **16-16-1609** is enacted to read:
- 2505 **16-16-1609. Filings required for merger -- Effective date.**
- 2506 (1) After each constituent entity has approved a merger, articles of merger must be
2507 signed on behalf of each constituent entity by an authorized representative.
- 2508 (2) The articles of merger must include:
- 2509 (a) the name and form of each constituent entity and the jurisdiction of its governing
2510 statute;
- 2511 (b) the name and form of the surviving entity, the jurisdiction of its governing statute,
2512 and, if the surviving entity is created by the merger, a statement to that effect;
- 2513 (c) the date the merger is effective under the governing statute of the surviving entity;
- 2514 (d) if the surviving entity is to be created by the merger and:
- 2515 (i) will be a limited cooperative association, the limited cooperative association's articles
2516 of organization; or
- 2517 (ii) will be an entity other than a limited cooperative association, the organizational
2518 document that creates the entity;
- 2519 (e) if the surviving entity is not created by the merger, any amendments provided for in
2520 the plan of merger to the organizational document that created the entity;
- 2521 (f) a statement as to each constituent entity that the merger was approved as required

2522 by the entity's governing statute;

2523 (g) if the surviving entity is a foreign organization not authorized to transact business in
2524 this state, the street address and, if different, mailing address of an office which the division may
2525 use for the purposes of Section 16-16-120; and

2526 (h) any additional information required by the governing statute of any constituent
2527 entity.

2528 (3) Each limited cooperative association that is a party to a merger shall deliver the
2529 articles of merger to the division for filing.

2530 (4) A merger becomes effective under this part:

2531 (a) if the surviving entity is a limited cooperative association, upon the later of:

2532 (i) compliance with Subsection (3); or

2533 (ii) subject to Subsection 16-16-203(3), as specified in the articles of merger; or

2534 (b) if the surviving entity is not a limited cooperative association, as provided by the
2535 governing statute of the surviving entity.

2536 Section 145. Section **16-16-1610** is enacted to read:

2537 **16-16-1610. Effect of merger.**

2538 (1) When a merger becomes effective:

2539 (a) the surviving entity continues or comes into existence;

2540 (b) each constituent entity that merges into the surviving entity ceases to exist as a
2541 separate entity;

2542 (c) all property owned by each constituent entity that ceases to exist vests in the
2543 surviving entity;

2544 (d) all debts, liabilities, and other obligations of each constituent entity that ceases to
2545 exist continue as obligations of the surviving entity;

2546 (e) an action or proceeding pending by or against any constituent entity that ceases to
2547 exist may be continued as if the merger had not occurred;

2548 (f) except as prohibited by law other than this chapter, all rights, privileges, immunities,
2549 powers, and purposes of each constituent entity that ceases to exist vest in the surviving entity;

2550 (g) except as otherwise provided in the plan of merger, the terms and conditions of the
2551 plan take effect;

2552 (h) except as otherwise provided in the plan of merger, if a merging limited cooperative
2553 association ceases to exist, the merger does not dissolve the association for purposes of Part 12,
2554 Dissolution;

2555 (i) if the surviving entity is created by the merger and:

2556 (i) is a limited cooperative association, the articles of organization become effective; or

2557 (ii) is an entity other than a limited cooperative association, the organizational

2558 document that creates the entity becomes effective; and

2559 (j) if the surviving entity is not created by the merger, any amendments made by the
2560 articles of merger for the organizational documents of the surviving entity become effective.

2561 (2) A surviving entity that is an entity organized under the laws of a jurisdiction other
2562 than this state consents to the jurisdiction of the courts of this state to enforce any obligation
2563 owed by the constituent entity if, before the merger, the constituent entity was subject to suit in
2564 this state on the obligation. A surviving entity that is an entity organized under the laws of a
2565 jurisdiction other than this state and not authorized to transact business in this state appoints the
2566 division as its agent for service of process for purposes of enforcing an obligation under this
2567 Subsection (2). Service on the division under this Subsection (2) is made in the same manner
2568 and with the same consequences as in Subsections 16-16-120(3) and (4).

2569 Section 146. Section **16-16-1611** is enacted to read:

2570 **16-16-1611. Consolidation.**

2571 (1) Constituent entities that are limited cooperative associations or foreign cooperatives
2572 may agree to call a merger a consolidation under this part.

2573 (2) All provisions governing mergers or using the term merger in this chapter apply
2574 equally to mergers that the constituent entities choose to call consolidations under Subsection
2575 (1).

2576 Section 147. Section **16-16-1612** is enacted to read:

2577 **16-16-1612. Part not exclusive.**

2578 This part does not prohibit a limited cooperative association from being converted or
2579 merged under law other than this chapter.

2580 Section 148. Section **16-16-1701** is enacted to read:

2581 **Part 17. Miscellaneous Provisions**

2582 **16-16-1701. Uniformity of application and construction.**

2583 In applying and construing this uniform act, consideration must be given to the need to
2584 promote uniformity of the law with respect to its subject matter among states that enact it.

2585 Section 149. Section **16-16-1702** is enacted to read:

2586 **16-16-1702. Relation to Electronic Signatures in Global and National Commerce**
2587 **Act.**

2588 This chapter modifies, limits, or supersedes the federal Electronic Signatures in Global
2589 and National Commerce Act, 15 U.S.C. Sec. 7001 et seq., but does not modify, limit, or
2590 supersede Section 101(c) of that act, 15 U.S.C. Sec. 7001(c) or authorize electronic delivery of
2591 any of the notices described in Section 103(b) of that act, 15 U.S.C. Sec. 7003(b).

2592 Section 150. Section **16-16-1703** is enacted to read:

2593 **16-16-1703. Savings clause.**

2594 This chapter does not affect an action or proceeding commenced, or right accrued,
2595 before May 5, 2008.