

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

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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

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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  
213 on 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  
218 Section 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 1,~~] 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:

250 **CHAPTER 16. UNIFORM LIMITED COOPERATIVE ASSOCIATION ACT**

251 **Part 1. General Provisions**

252 **16-16-101. Title.**

253 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  
258 cooperative association required by Section 16-16-302. The term includes the articles as  
259 amended or 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,  
282 Marketing 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  
314 association and a person which entitle the person to receive financial rights based on the value  
315 or quantity 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  
318 association, joint venture, association, public corporation, government or governmental  
319 subdivision, agency, 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  
324 form.

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

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

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

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

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

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

336 (32) "Voting group" means any combination of one or more voting members in one or  
337 more districts or classes that under the organic rules or this chapter are entitled to vote and can

338 be counted together collectively on a matter at a members meeting.

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

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

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

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

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

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

350 **16-16-104. Nature of limited cooperative association.**

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

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

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

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

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

363 **16-16-105. Purpose and duration of limited cooperative association.**

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

365 (2) A limited cooperative association may be organized for any lawful purpose,  
366 whether or not for profit, except for the operation of a financial institution as defined in Section  
367 7-1-103.

368 (3) Unless the articles of organization state a term for a limited cooperative

369 association's existence, the association has perpetual duration.

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

371 **16-16-106. Powers.**

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

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

377 **16-16-107. Governing law.**

378 The law of this state governs:

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

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

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

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

383 **16-16-108. Supplemental principles of law.**

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

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

387 **16-16-109. Requirements of other laws.**

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

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

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

397 **16-16-110. Relation to restraint of trade and antitrust laws.**

398 To the extent a limited cooperative association or activities conducted by the  
399 association in this state meet the material requirements for other cooperatives entitled to an

400 exemption from or immunity under any provision of the restraint of trade or antitrust laws of  
401 this state, the association and its activities are entitled to the exemption or immunity. This  
402 section does not create any new exemption or immunity for an association or affect any  
403 exemption or immunity provided to a cooperative organized under any other law.

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

405 **16-16-111. Name.**

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

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

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

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

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

- 426 (a) the person with ownership rights to use the name consents in a record to the use and  
427 applies in a form satisfactory to the division to change the name used or reserved to a name that  
428 is distinguishable upon the records of the division from the name applied for; or  
429 (b) the applicant delivers to the division a certified copy of the final judgment of a  
430 court establishing the applicant's right to use the name in this state.

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

432 **16-16-112. Reservation of name.**

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

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

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

447 **16-16-113. Effect of organic rules.**

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

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

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

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

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

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

- 462 (e) vary the board of directors meeting quorum under Subsection 16-16-815(1);
- 463 (f) vary the matters the board of directors may consider in making a decision under
- 464 Section 16-16-820;
- 465 (g) specify causes of dissolution under Subsection 16-16-1202(1);
- 466 (h) delegate amendment of the bylaws to the board of directors pursuant to Subsection
- 467 16-16-405(6);
- 468 (i) provide for member approval of asset dispositions under Subsection 16-16-1501;
- 469 and
- 470 (j) provide for any matters that may be contained in the organic rules, including those
- 471 under Subsection (3).
- 472 (3) The matters referred to in Subsections (3)(a) through (y) may be varied only in the
- 473 organic rules. The organic rules may:
- 474 (a) require more information to be maintained under Section 16-16-114 or provided to
- 475 members under Subsection 16-16-505(11);
- 476 (b) provide restrictions on transactions between a member and an association under
- 477 Section 16-16-115;
- 478 (c) provide for the percentage and manner of voting on amendments to the organic
- 479 rules by district, class, or voting group under Subsection 16-16-404(1);
- 480 (d) provide for the percentage vote required to amend the bylaws concerning the
- 481 admission of new members under Subsection 16-16-405(5)(e);
- 482 (e) provide for terms and conditions to become a member under Section 16-16-502;
- 483 (f) restrict the manner of conducting members meetings under Subsections
- 484 16-16-506(3) and 16-16-507(5);
- 485 (g) designate the presiding officer of members meetings under Subsections
- 486 16-16-506(5) and 16-16-507(7);
- 487 (h) require a statement of purposes in the annual meeting notice under Subsection
- 488 16-16-508(2);
- 489 (i) increase quorum requirements for members meetings under Section 16-16-510 and
- 490 board of directors meetings under Section 16-16-815;
- 491 (j) allocate voting power among members, including patron members and investor
- 492 members, and provide for the manner of member voting and action as permitted by Sections



493 16-16-511 through 16-16-517;

494 (k) authorize investor members and expand or restrict the transferability of members'  
495 interests to the extent provided in Sections 16-16-602 through 16-16-604;

496 (l) provide for enforcement of a marketing contract under Subsection 16-16-704(1);

497 (m) provide for qualification, election, terms, removal, filling vacancies, and member  
498 approval for compensation of directors in accordance with Sections 16-16-803 through  
499 16-16-805, 16-16-807, 16-16-809, and 16-16-810;

500 (n) restrict the manner of conducting board meetings and taking action without a  
501 meeting under Sections 16-16-811 and 16-16-812;

502 (o) provide for frequency, location, notice and waivers of notice for board meetings  
503 under Sections 16-16-813 and 16-16-814;

504 (p) increase the percentage of votes necessary for board action under Subsection  
505 16-16-816(2);

506 (q) provide for the creation of committees of the board of directors and matters related  
507 to the committees in accordance with Section 16-16-817;

508 (r) provide for officers and their appointment, designation, and authority under Section  
509 16-16-822;

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

511 (t) provide for remedies for failure to make a contribution under Subsection  
512 16-16-1003(2);

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

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

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

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

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

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

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

- 524 (iv) a plan of merger under Subsection 16-16-1607(1); and  
525 (v) a proposed disposition of assets under Subsection 16-16-1503(1); and  
526 (y) vary the percentage of votes required for members' approval of:  
527 (i) a resolution to dissolve under Section 16-16-1205;  
528 (ii) an amendment to the organic rules under Section 16-16-405;  
529 (iii) a plan of conversion under Section 16-16-1603;  
530 (iv) a plan of merger under Section 16-16-1608; and  
531 (v) a disposition of assets under Section 16-16-1504.  
532 (4) The organic rules must address members' contributions pursuant to Section  
533 16-16-1001.  
534 Section 16. Section **16-16-114** is enacted to read:  
535 **16-16-114. Required information.**  
536 (1) Subject to Subsection (2), a limited cooperative association shall maintain in a  
537 record available at its principal office:  
538 (a) a list containing the name, last known street address and, if different, mailing  
539 address, and term of office of each director and officer;  
540 (b) the initial articles of organization and all amendments to and restatements of the  
541 articles, together with a signed copy of any power of attorney under which any article,  
542 amendment, or restatement has been signed;  
543 (c) the initial bylaws and all amendments to and restatements of the bylaws;  
544 (d) all filed articles of merger and statements of conversion;  
545 (e) all financial statements of the association for the six most recent years;  
546 (f) the six most recent annual reports delivered by the association to the division;  
547 (g) the minutes of members meetings for the six most recent years;  
548 (h) evidence of all actions taken by members without a meeting for the six most recent  
549 years;  
550 (i) a list containing:  
551 (i) the name, in alphabetical order, and last known street address and, if different,  
552 mailing address of each patron member and each investor member; and  
553 (ii) if the association has districts or classes of members, information from which each  
554 current member in a district or class may be identified;

555 (j) the federal income tax returns, any state and local income tax returns, and any tax  
556 reports of the association for the six most recent years;

557 (k) accounting records maintained by the association in the ordinary course of its  
558 operations for the six most recent years;

559 (l) the minutes of directors meetings for the six most recent years;

560 (m) evidence of all actions taken by directors without a meeting for the six most recent  
561 years;

562 (n) the amount of money contributed and agreed to be contributed by each member;

563 (o) a description and statement of the agreed value of contributions other than money  
564 made and agreed to be made by each member;

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

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

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

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

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

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

576 **16-16-115. Business transactions of member with limited cooperative association.**

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

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

582 **16-16-116. Dual capacity.**

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

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

586 subject to this chapter and the organic rules governing investor members.

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

588 **16-16-117. Designated office and agent for service of process.**

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

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

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

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

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

598 **16-16-118. Change of designated office or agent for service of process.**

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

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

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

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

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

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

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

613 (a) the name of the foreign cooperative;

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

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

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

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

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

623 **16-16-119. Resignation of agent for service of process.**

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

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

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

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

633 or

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

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

637 **16-16-120. Service of process.**

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

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

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

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

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

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

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

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

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

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

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

#### 665 **Part 2. Filing and Annual Reports**

##### 666 **16-16-201. Signing of records delivered for filing to division.**

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

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

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

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

674 (d) A record filed on behalf of a dissolved association must be signed by a person  
675 winding up activities under Section 16-16-1206 or a person appointed under Section  
676 16-16-1206 to wind up those activities.

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

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

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

681 **16-16-202. Signing and filing of records pursuant to judicial order.**

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

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

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

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

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

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

691 **16-16-203. Delivery to and filing of records by division -- Effective time and date.**

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

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

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

704 (a) if the record does not specify an effective time and does not specify a delayed  
705 effective date, on the date and at the time the record is filed as evidenced by the division's  
706 endorsement of the date and time on the record;

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

709 (c) if the record specifies a delayed effective date but not an effective time, at 12:01

710 a.m. on the earlier of:

711 (i) the specified date; or

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

713 (d) if the record specifies an effective time and a delayed effective date, at the specified

714 time on the earlier of:

715 (i) the specified date; or

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

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

718 **16-16-204. Correcting filed record.**

719 (1) A limited cooperative association or foreign cooperative may deliver to the division

720 for filing a statement of correction to correct a record previously delivered by the association or

721 foreign cooperative to the division and filed by the division if, at the time of filing, the record

722 contained inaccurate information or was defectively signed.

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

724 (a) describe the record to be corrected, including its filing date, or have attached a copy

725 of the record as filed;

726 (b) specify the inaccurate information and the reason it is inaccurate or the manner in

727 which the signing was defective; and

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

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

730 (a) when filed as to persons relying on the inaccurate information or defective signature

731 before its correction and adversely affected by the correction; and

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

733 the statement corrects.

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

735 **16-16-205. Liability for inaccurate information in filed record.**

736 If a record delivered to the division for filing under this chapter and filed by the division

737 contains inaccurate information, a person that suffers a loss by reliance on the information may

738 recover damages for the loss from a person that signed the record or caused another to sign it

739 on the person's behalf and knew at the time the record was signed that the information was

740 inaccurate.



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

742 **16-16-206. Certificate of good standing or authorization.**

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

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

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

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

758 **16-16-207. Annual report for division.**

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

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

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

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

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

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

771 (3) The first annual report must be delivered to the division between January 1 and

772 April 1 of the year following the calendar year in which the limited cooperative association is  
773 formed or the foreign cooperative is authorized to transact business in this state. An annual  
774 report must be delivered to the division between January 1 and April 1 of each subsequent  
775 calendar year.

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

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

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

788 (7) If a foreign cooperative fails to deliver an annual report under this section, the  
789 division may revoke the certificate of authority of the cooperative.

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

791 **16-16-208. Filing fees.**

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

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

795 **Part 3. Formation and Initial Articles of Organization of Limited Cooperative**

796 **Association**

797 **16-16-301. Organizers.**

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

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

800 **16-16-302. Formation of limited cooperative association -- Articles of**  
801 **organization.**

802 (1) To form a limited cooperative association, an organizer of the association must

803 deliver articles of organization to the division for filing. The articles must state:

804 (a) the name of the association;

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

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

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

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

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

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

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

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

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

821 **16-16-303. Organization of limited cooperative association.**

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

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

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

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

833 (3) Initial directors need not be members.

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

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

837 **16-16-304. Bylaws.**

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

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

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

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

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

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

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

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

853 (f) a statement concerning:

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

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

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

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

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

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

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

867 **16-16-401. Authority to amend organic rules.**

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

871 (2) Unless the organic rules otherwise provide, a member does not have a vested  
872 property right resulting from any provision in the organic rules, including a provision relating  
873 to the management, control, capital structure, distribution, entitlement, purpose, or duration of  
874 the limited cooperative association.

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

876 **16-16-402. Notice and action on amendment of organic rules.**

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

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

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

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

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

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

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

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

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

899 **16-16-403. Change to amendment of organic rules at meeting.**

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

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

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

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

908 **16-16-404. Voting by district, class, or voting group.**

909 (1) This section applies if the organic rules provide for voting by district or class, or if  
910 there is one or more identifiable voting groups that a proposed amendment to the organic rules  
911 would affect differently from other members with respect to matters identified in Subsections  
912 16-16-405(5)(a) through (e). Approval of the amendment requires the same percentage of  
913 votes of the members of that district, class, or voting group required in Sections 16-16-405 and  
914 16-16-514.

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

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

920 **16-16-405. Approval of amendment.**

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

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

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

927 patron members.

928 (2) Subject to Section 16-16-404 and Subsections (3), (4), (5), and (6), an amendment  
929 to the bylaws must be approved by:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

957 (e) unless otherwise provided in the organic rules, the terms for admission of new

958 members.

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

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

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

968 **16-16-406. Restated articles of organization.**

969 A limited cooperative association, by the affirmative vote of a majority of the board of  
970 directors taken at a meeting for which the purpose is stated in the notice of the meeting, may  
971 adopt restated articles of organization that contain the original articles as previously amended.

972 Restated articles may contain amendments if the restated articles are adopted in the same  
973 manner and with the same vote as required for amendments to the articles under Subsection  
974 16-16-405(1). Upon filing, restated articles supersede the existing articles and all amendments.

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

976 **16-16-407. Amendment or restatement of articles of organization--Filing.**

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

981 (a) the name of the association;

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

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

985 (2) Before the beginning of the initial meeting of the board of directors, an organizer  
986 who knows that information in the filed articles of organization was inaccurate when the  
987 articles were filed or has become inaccurate due to changed circumstances shall promptly:

988 (a) cause the articles to be amended; or





1020 association's principal office required information listed in Subsections 16-16-114(1)(a)  
1021 through (h) during regular business hours. A member need not have any particular purpose for  
1022 seeking the information. The association is not required to provide the same information listed  
1023 in Subsections 16-16-114(1)(b) through (h) to the same member more than once during a  
1024 six-month period.

1025 (2) On demand made in a record received by the limited cooperative association, a  
1026 member may obtain, inspect, and copy in the association's principal office required information  
1027 listed in Subsections 16-16-114(1)(i), (j), (l), (m), (p), and (r) during regular business hours, if:

1028 (a) the member seeks the information in good faith and for a proper purpose reasonably  
1029 related to the member's interest;

1030 (b) the demand includes a description with reasonable particularity of the information  
1031 sought and the purpose for seeking the information;

1032 (c) the information sought is directly connected to the member's purpose; and

1033 (d) the demand is reasonable.

1034 (3) Not later than ten business days after receipt of a demand pursuant to Subsection  
1035 (2), a limited cooperative association shall provide, in a record, the following information to  
1036 the member that made the demand:

1037 (a) if the association agrees to provide the demanded information:

1038 (i) what information the association will provide in response to the demand; and

1039 (ii) a reasonable time and place at which the association will provide the information;

1040 or

1041 (b) if the association declines to provide some or all of the demanded information, the  
1042 association's reasons for declining.

1043 (4) A person dissociated as a member may obtain, inspect, and copy information  
1044 available to a member under Subsection (1) or (2) by delivering a demand in a record to the  
1045 limited cooperative association in the same manner and subject to the same conditions  
1046 applicable to a member under Subsection (2) if:

1047 (a) the information pertains to the period during which the person was a member in the  
1048 association; and

1049 (b) the person seeks the information in good faith.

1050 (5) A limited cooperative association shall respond to a demand made pursuant to

1051 Subsection (4) in the manner provided in Subsection (3).

1052 (6) Not later than ten business days after receipt by a limited cooperative association of  
1053 a demand made by a member in a record, but not more often than once in a six-month period,  
1054 the association shall deliver to the member a record stating the information with respect to the  
1055 member required by Subsection 16-16-114(1)(q).

1056 (7) A limited cooperative association may impose reasonable restrictions, including  
1057 nondisclosure restrictions, on the use of information obtained under this section. In a dispute  
1058 concerning the reasonableness of a restriction under this Subsection (7), the association has the  
1059 burden of proving reasonableness.

1060 (8) A limited cooperative association may charge a person that makes a demand under  
1061 this section reasonable costs of copying, limited to the costs of labor and material.

1062 (9) A person that may obtain information under this section may obtain the information  
1063 through an attorney or other agent. A restriction imposed on the person under Subsection (7)  
1064 or by the organic rules applies to the attorney or other agent.

1065 (10) The rights stated in this section do not extend to a person as transferee.

1066 (11) The organic rules may require a limited cooperative association to provide more  
1067 information than required by this section and may establish conditions and procedures for  
1068 providing the information.

1069 Section 47. Section **16-16-506** is enacted to read:

1070 **16-16-506. Annual meeting of members.**

1071 (1) Members shall meet annually at a time provided in the organic rules or set by the  
1072 board of directors not inconsistent with the organic rules.

1073 (2) An annual members meeting may be held inside or outside this state at the place  
1074 stated in the organic rules or selected by the board of directors not inconsistent with the organic  
1075 rules.

1076 (3) Unless the organic rules otherwise provide, members may attend or conduct an  
1077 annual members meeting through any means of communication if all members attending the  
1078 meeting can communicate with each other during the meeting.

1079 (4) The board of directors shall report, or cause to be reported, at the association's  
1080 annual members meeting the association's business and financial condition as of the close of  
1081 the most recent fiscal year.

1082           (5) Unless the organic rules otherwise provide, the board of directors shall designate  
1083 the presiding officer of the association's annual members meeting.

1084           (6) Failure to hold an annual members meeting does not affect the validity of any  
1085 action by the limited cooperative association.

1086           Section 48. Section **16-16-507** is enacted to read:

1087           **16-16-507. Special meeting of members.**

1088           (1) A special meeting of members may be called only:

1089           (a) as provided in the organic rules;

1090           (b) by a majority vote of the board of directors on a proposal stating the purpose of the  
1091 meeting;

1092           (c) by demand in a record signed by members holding at least 20% of the voting power  
1093 of the persons in any district or class entitled to vote on the matter that is the purpose of the  
1094 meeting stated in the demand; or

1095           (d) by demand in a record signed by members holding at least 10% of the total voting  
1096 power of all the persons entitled to vote on the matter that is the purpose of the meeting stated  
1097 in the demand.

1098           (2) A demand under Subsection (1)(c) or (d) must be submitted to the officer of the  
1099 limited cooperative association charged with keeping its records.

1100           (3) Any voting member may withdraw its demand under Subsection (1)(c) or (d) before  
1101 receipt by the limited cooperative association of demands sufficient to require a special  
1102 meeting of members.

1103           (4) A special meeting of members may be held inside or outside this state at the place  
1104 stated in the organic rules or selected by the board of directors not inconsistent with the organic  
1105 rules.

1106           (5) Unless the organic rules otherwise provide, members may attend or conduct a  
1107 special meeting of members through the use of any means of communication if all members  
1108 attending the meeting can communicate with each other during the meeting.

1109           (6) Only business within the purpose or purposes stated in the notice of a special  
1110 meeting of members may be conducted at the meeting.

1111           (7) Unless the organic rules otherwise provide, the presiding officer of a special  
1112 meeting of members shall be designated by the board of directors.

1113 Section 49. Section **16-16-508** is enacted to read:

1114 **16-16-508. Notice of members meeting.**

1115 (1) A limited cooperative association shall notify each member of the time, date, and  
1116 place of a members meeting at least 15 and not more than 60 days before the meeting.

1117 (2) Unless the articles of organization otherwise provide, notice of an annual members  
1118 meeting need not include any purpose of the meeting.

1119 (3) Notice of a special meeting of members must include each purpose of the meeting  
1120 as contained in the demand under Subsection 16-16-507(1)(c) or (d) or as voted upon by the  
1121 board of directors under Subsection 16-16-507(1)(b).

1122 (4) Notice of a members meeting must be given in a record unless oral notice is  
1123 reasonable under the circumstances.

1124 Section 50. Section **16-16-509** is enacted to read:

1125 **16-16-509. Waiver of members meeting notice.**

1126 (1) A member may waive notice of a members meeting before, during, or after the  
1127 meeting.

1128 (2) A member's participation in a members meeting is a waiver of notice of that  
1129 meeting unless the member objects to the meeting at the beginning of the meeting or promptly  
1130 upon the member's arrival at the meeting and does not thereafter vote for or assent to action  
1131 taken at the meeting.

1132 Section 51. Section **16-16-510** is enacted to read:

1133 **16-16-510. Quorum of members.**

1134 Unless the organic rules otherwise require a greater number of members or percentage  
1135 of the voting power, the voting member or members present at a members meeting constitute a  
1136 quorum.

1137 Section 52. Section **16-16-511** is enacted to read:

1138 **16-16-511. Voting by patron members.**

1139 Except as provided by Subsection 16-16-512(1), each patron member has one vote.

1140 The organic rules may allocate voting power among patron members as provided in Subsection  
1141 16-16-512(1).

1142 Section 53. Section **16-16-512** is enacted to read:

1143 **16-16-512. Determination of voting power of patron member.**

1144 (1) The organic rules may allocate voting power among patron members on the basis of  
1145 one or a combination of the following:

1146 (a) one member, one vote;

1147 (b) use or patronage;

1148 (c) equity; or

1149 (d) if a patron member is a cooperative, the number of its patron members.

1150 (2) The organic rules may provide for the allocation of patron member voting power by  
1151 districts or class, or any combination thereof.

1152 Section 54. Section **16-16-513** is enacted to read:

1153 **16-16-513. Voting by investor members.**

1154 If the organic rules provide for investor members, each investor member has one vote,  
1155 unless the organic rules otherwise provide. The organic rules may provide for the allocation of  
1156 investor member voting power by class, classes, or any combination of classes.

1157 Section 55. Section **16-16-514** is enacted to read:

1158 **16-16-514. Voting requirements for members.**

1159 (1) If a limited cooperative association has both patron and investor members, the  
1160 following rules apply:

1161 (a) the total voting power of all patron members may not be less than a majority of the  
1162 entire voting power entitled to vote; and

1163 (b) action on any matter is approved only upon the affirmative vote of at least a  
1164 majority of:

1165 (i) all members voting at the meeting unless more than a majority is required by this  
1166 chapter or the organic rules; and

1167 (ii) votes cast by patron members unless the organic rules require a larger affirmative  
1168 vote by patron members.

1169 (2) The organic rules may provide for the percentage of the affirmative votes that must  
1170 be cast by investor members to approve the matter.

1171 Section 56. Section **16-16-515** is enacted to read:

1172 **16-16-515. Manner of voting.**

1173 (1) Unless the organic rules otherwise provide, voting by a proxy at a members  
1174 meeting is prohibited. This Subsection (1) does not prohibit delegate voting based on district

1175 or class.

1176 (2) If voting by a proxy is permitted, a patron member may appoint only another patron  
1177 member as a proxy and, if investor members are permitted, an investor member may appoint  
1178 only another investor member as a proxy.

1179 (3) The organic rules may provide for the manner of and provisions governing the  
1180 appointment of a proxy.

1181 (4) The organic rules may provide for voting on any question by ballot delivered by  
1182 mail or voting by other means on questions that are subject to vote by members.

1183 Section 57. Section **16-16-516** is enacted to read:

1184 **16-16-516. Action without a meeting.**

1185 (1) Unless the organic rules require that action be taken only at a members meeting,  
1186 any action that may be taken by the members may be taken without a meeting if each member  
1187 entitled to vote on the action consents in a record to the action.

1188 (2) Consent under Subsection (1) may be withdrawn by a member in a record at any  
1189 time before the limited cooperative association receives a consent from each member entitled  
1190 to vote.

1191 (3) Consent to any action may specify the effective date or time of the action.

1192 Section 58. Section **16-16-517** is enacted to read:

1193 **16-16-517. Districts and delegates -- Classes of members.**

1194 (1) The organic rules may provide for the formation of geographic districts of patron  
1195 members and:

1196 (a) for the conduct of patron member meetings by districts and the election of directors  
1197 at the meetings; or

1198 (b) that districts may elect district delegates to represent and vote for the district at  
1199 members meetings.

1200 (2) A delegate elected under Subsection (1)(b) has one vote unless voting power is  
1201 otherwise allocated by the organic rules.

1202 (3) The organic rules may provide for the establishment of classes of members, for the  
1203 preferences, rights, and limitations of the classes, and:

1204 (a) for the conduct of members meetings by classes and the election of directors at the  
1205 meetings; or

1206 (b) that classes may elect class delegates to represent and vote for the class in members  
1207 meetings.

1208 (4) A delegate elected under Subsection (3)(b) has one vote unless voting power is  
1209 otherwise allocated by the organic rules.

1210 Section 59. Section **16-16-601** is enacted to read:

1211 **Part 6. Member's Interest in Limited Cooperative Association**

1212 **16-16-601. Member's interest.**

1213 A member's interest:

1214 (1) is personal property;

1215 (2) consists of:

1216 (a) governance rights;

1217 (b) financial rights; and

1218 (c) the right or obligation, if any, to do business with the limited cooperative  
1219 association; and

1220 (3) may be in certificated or uncertificated form.

1221 Section 60. Section **16-16-602** is enacted to read:

1222 **16-16-602. Patron and investor members' interests.**

1223 (1) Unless the organic rules establish investor members' interests, a member's interest  
1224 is a patron member's interest.

1225 (2) Unless the organic rules otherwise provide, if a limited cooperative association has  
1226 investor members, while a person is a member of the association, the person:

1227 (a) if admitted as a patron member, remains a patron member;

1228 (b) if admitted as an investor member, remains an investor member; and

1229 (c) if admitted as a patron member and investor member, remains a patron and investor  
1230 member if not dissociated in one of the capacities.

1231 Section 61. Section **16-16-603** is enacted to read:

1232 **16-16-603. Transferability of member's interest.**

1233 (1) The provisions of this chapter relating to the transferability of a member's interest  
1234 are subject to Title 70A, Uniform Commercial Code.

1235 (2) Unless the organic rules otherwise provide, a member's interest other than financial  
1236 rights is not transferable.



1237 (3) Unless a transfer is restricted or prohibited by the organic rules, a member may  
1238 transfer the member's financial rights in the limited cooperative association.

1239 (4) The terms of any restriction on transferability of financial rights must be:

1240 (a) set forth in the organic rules and the member records of the association; and

1241 (b) conspicuously noted on any certificates evidencing a member's interest.

1242 (5) A transferee of a member's financial rights, to the extent the rights are transferred,  
1243 has the right to share in the allocation of profits or losses and to receive the distributions to the  
1244 member transferring the interest to the same extent as the transferring member.

1245 (6) A transferee of a member's financial rights does not become a member upon  
1246 transfer of the rights unless the transferee is admitted as a member by the limited cooperative  
1247 association.

1248 (7) A limited cooperative association need not give effect to a transfer under this  
1249 section until the association has notice of the transfer.

1250 (8) A transfer of a member's financial rights in violation of a restriction on transfer  
1251 contained in the organic rules is ineffective as to a person having notice of the restriction at the  
1252 time of transfer.

1253 Section 62. Section **16-16-604** is enacted to read:

1254 **16-16-604. Security interest and set-off.**

1255 (1) A member or transferee may create an enforceable security interest in its financial  
1256 rights in a limited cooperative association.

1257 (2) Unless the organic rules otherwise provide, a member may not create an  
1258 enforceable security interest in the member's governance rights in a limited cooperative  
1259 association.

1260 (3) The organic rules may provide that a limited cooperative association has a security  
1261 interest in the financial rights of a member to secure payment of any indebtedness or other  
1262 obligation of the member to the association. A security interest provided for in the organic  
1263 rules is enforceable under, and governed by, Title 70A, Chapter 9a, Uniform Commercial Code  
1264 - Secured Transactions.

1265 (4) Unless the organic rules otherwise provide, a member may not compel the limited  
1266 cooperative association to offset financial rights against any indebtedness or obligation owed to  
1267 the association.

1268 Section 63. Section **16-16-605** is enacted to read:

1269 **16-16-605. Charging orders for judgment creditor of member or transferee.**

1270 (1) On application by a judgment creditor of a member or transferee, a court may enter  
1271 a charging order against the financial rights of the judgment debtor for the unsatisfied amount  
1272 of the judgment. A charging order issued under this Subsection (1) constitutes a lien on the  
1273 judgment debtor's financial rights and requires the limited cooperative association to pay over  
1274 to the creditor or receiver, to the extent necessary to satisfy the judgment, any distribution that  
1275 would otherwise be paid to the judgment debtor.

1276 (2) To the extent necessary to effectuate the collection of distributions pursuant to a  
1277 charging order under Subsection (1), the court may:

1278 (a) appoint a receiver of the share of the distributions due or to become due to the  
1279 judgment debtor under the judgment debtor's financial rights, with the power to make all  
1280 inquiries the judgment debtor might have made; and

1281 (b) make all other orders that the circumstances of the case may require to give effect  
1282 to the charging order.

1283 (3) Upon a showing that distributions under a charging order will not pay the judgment  
1284 debt within a reasonable time, the court may foreclose the lien and order the sale of the  
1285 financial rights. The purchaser at the foreclosure sale obtains only the financial rights that are  
1286 subject to the charging order, does not thereby become a member, and is subject to Section  
1287 16-16-603.

1288 (4) At any time before a sale pursuant to a foreclosure, a member or transferee whose  
1289 financial rights are subject to a charging order under Subsection (1) may extinguish the  
1290 charging order by satisfying the judgment and filing a certified copy of the satisfaction with the  
1291 court that issued the charging order.

1292 (5) At any time before sale pursuant to a foreclosure, the limited cooperative  
1293 association or one or more members whose financial rights are not subject to the charging order  
1294 may pay to the judgment creditor the full amount due under the judgment and succeed to the  
1295 rights of the judgment creditor, including the charging order. Unless the organic rules  
1296 otherwise provide, the association may act under this Subsection (5) only with the consent of  
1297 all members whose financial rights are not subject to the charging order.

1298 (6) This chapter does not deprive any member or transferee of the benefit of any

1299 exemption laws applicable to the member's or transferee's financial rights.

1300 (7) This section provides the exclusive remedy by which a judgment creditor of a  
1301 member or transferee may satisfy the judgment from the member's or transferee's financial  
1302 rights.

1303 Section 64. Section **16-16-701** is enacted to read:

1304 **Part 7. Marketing Contracts**

1305 **16-16-701. Authority.**

1306 In this part, "marketing contract" means a contract between a limited cooperative  
1307 association and another person, that need not be a patron member:

1308 (1) requiring the other person to sell, or deliver for sale or marketing on the person's  
1309 behalf, a specified part of the person's products, commodities, or goods exclusively to or  
1310 through the association or any facilities furnished by the association; or

1311 (2) authorizing the association to act for the person in any manner with respect to the  
1312 products, commodities, or goods.

1313 Section 65. Section **16-16-702** is enacted to read:

1314 **16-16-702. Marketing contracts.**

1315 (1) If a marketing contract provides for the sale of products, commodities, or goods to  
1316 a limited cooperative association, the sale transfers title to the association upon delivery or at  
1317 any other specific time expressly provided by the contract.

1318 (2) A marketing contract may:

1319 (a) authorize a limited cooperative association to create an enforceable security interest  
1320 in the products, commodities, or goods delivered; and

1321 (b) allow the association to sell the products, commodities, or goods delivered and pay  
1322 the sales price on a pooled or other basis after deducting selling costs, processing costs,  
1323 overhead, expenses, and other charges.

1324 (3) Some or all of the provisions of a marketing contract between a patron member and  
1325 a limited cooperative association may be contained in the organic rules.

1326 Section 66. Section **16-16-703** is enacted to read:

1327 **16-16-703. Duration of marketing contract.**

1328 The initial duration of a marketing contract may not exceed ten years, but the contract  
1329 may be self-renewing for additional periods not exceeding five years each. Unless the contract

1330 provides for another manner or time for termination, either party may terminate the contract by  
1331 giving notice in a record at least 90 days before the end of the current term.

1332 Section 67. Section **16-16-704** is enacted to read:

1333 **16-16-704. Remedies for breach of contract.**

1334 (1) Damages to be paid to a limited cooperative association for breach or anticipatory  
1335 repudiation of a marketing contract may be liquidated, but only at an amount or under a  
1336 formula that is reasonable in light of the actual or anticipated harm caused by the breach or  
1337 repudiation. A provision that so provides is not a penalty.

1338 (2) Upon a breach of a marketing contract, whether by anticipatory repudiation or  
1339 otherwise, a limited cooperative association may seek:

1340 (a) an injunction to prevent further breach; and

1341 (b) specific performance.

1342 (3) The remedies in this section are in addition to any other remedies available to an  
1343 association under law other than this chapter.

1344 Section 68. Section **16-16-801** is enacted to read:

1345 **Part 8. Directors and Officers**

1346 **16-16-801. Board of directors.**

1347 (1) A limited cooperative association must have a board of directors of at least three  
1348 individuals, unless the association has fewer than three members. If the association has fewer  
1349 than three members, the number of directors may not be fewer than the number of members.

1350 (2) The affairs of a limited cooperative association must be managed by, or under the  
1351 direction of, the board of directors. The board may adopt policies and procedures that do not  
1352 conflict with the organic rules or this chapter.

1353 (3) An individual is not an agent for a limited cooperative association solely by being a  
1354 director.

1355 Section 69. Section **16-16-802** is enacted to read:

1356 **16-16-802. No liability as director for limited cooperative association's obligations.**

1357 A debt, obligation, or other liability of a limited cooperative association is solely that of  
1358 the association and is not a debt, obligation, or liability of a director solely by reason of being a  
1359 director. An individual is not personally liable, directly or indirectly, for an obligation of an  
1360 association solely by reason of being a director.

1361 Section 70. Section **16-16-803** is enacted to read:

1362 **16-16-803. Qualifications of directors.**

1363 (1) Unless the organic rules otherwise provide, and subject to Subsection (3), each  
1364 director of a limited cooperative association must be an individual who is a member of the  
1365 association or an individual who is designated by a member that is not an individual for  
1366 purposes of qualifying and serving as a director. Initial directors need not be members.

1367 (2) Unless the organic rules otherwise provide, a director may be an officer or  
1368 employee of the limited cooperative association.

1369 (3) If the organic rules provide for nonmember directors, the number of nonmember  
1370 directors may not exceed:

1371 (a) one, if there are two through four directors;

1372 (b) two, if there are five through eight directors; or

1373 (c) 1/3 of the total number of directors if there are at least nine directors.

1374 (4) The organic rules may provide qualifications for directors in addition to those in  
1375 this section.

1376 Section 71. Section **16-16-804** is enacted to read:

1377 **16-16-804. Election of directors and composition of board.**

1378 (1) Unless the organic rules require a greater number:

1379 (a) the number of directors that must be patron members may not be fewer than:

1380 (i) one, if there are two or three directors;

1381 (ii) two, if there are four or five directors;

1382 (iii) three, if there are six through eight directors; or

1383 (iv) 1/3 of the directors if there are at least nine directors; and

1384 (b) a majority of the board of directors must be elected exclusively by patron members.

1385 (2) Unless the organic rules otherwise provide, if a limited cooperative association has  
1386 investor members, the directors who are not elected exclusively by patron members are elected  
1387 by the investor members.

1388 (3) Subject to Subsection (1), the organic rules may provide for the election of all or a  
1389 specified number of directors by one or more districts or classes of members.

1390 (4) Subject to Subsection (1), the organic rules may provide for the nomination or  
1391 election of directors by districts or classes, directly or by district delegates.

1392 (5) If a class of members consists of a single member, the organic rules may provide  
1393 for the member to appoint a director or directors.

1394 (6) Unless the organic rules otherwise provide, cumulative voting for directors is  
1395 prohibited.

1396 (7) Except as otherwise provided by the organic rules, Subsection (5), or Sections  
1397 16-16-303, 16-16-516, 16-16-517, and 16-16-809, member directors must be elected at an  
1398 annual members meeting.

1399 Section 72. Section **16-16-805** is enacted to read:

1400 **16-16-805. Term of director.**

1401 (1) Unless the organic rules otherwise provide, and subject to Subsections (3) and (4)  
1402 and Subsection 16-16-303(3), the term of a director expires at the annual members meeting  
1403 following the director's election or appointment. The term of a director may not exceed three  
1404 years.

1405 (2) Unless the organic rules otherwise provide, a director may be reelected.

1406 (3) Except as otherwise provided in Subsection (4), a director continues to serve until a  
1407 successor director is elected or appointed and qualifies or the director is removed, resigns, is  
1408 adjudged incompetent, or dies.

1409 (4) Unless the organic rules otherwise provide, a director does not serve the remainder  
1410 of the director's term if the director ceases to qualify to be a director.

1411 Section 73. Section **16-16-806** is enacted to read:

1412 **16-16-806. Resignation of director.**

1413 A director may resign at any time by giving notice in a record to the limited cooperative  
1414 association. Unless the notice states a later effective date, a resignation is effective when the  
1415 notice is received by the association.

1416 Section 74. Section **16-16-807** is enacted to read:

1417 **16-16-807. Removal of director.**

1418 Unless the organic rules otherwise provide, the following rules apply:

1419 (1) Members may remove a director with or without cause.

1420 (2) A member or members holding at least 10% of the total voting power entitled to be  
1421 voted in the election of a director may demand removal of the director by one or more signed  
1422 petitions submitted to the officer of the limited cooperative association charged with keeping

1423 its records.

1424 (3) Upon receipt of a petition for removal of a director, an officer of the association or  
1425 the board of directors shall:

1426 (a) call a special meeting of members to be held not later than 90 days after receipt of  
1427 the petition by the association; and

1428 (b) mail or otherwise transmit or deliver in a record to the members entitled to vote on  
1429 the removal, and to the director to be removed, notice of the meeting which complies with  
1430 Section 16-16-508.

1431 (4) A director is removed if the votes in favor of removal are equal to or greater than  
1432 the votes required to elect the director.

1433 Section 75. Section **16-16-808** is enacted to read:

1434 **16-16-808. Suspension of director by board.**

1435 (1) A board of directors may suspend a director if, considering the director's course of  
1436 conduct and the inadequacy of other available remedies, immediate suspension is necessary for  
1437 the best interests of the association and the director is engaging, or has engaged, in:

1438 (a) fraudulent conduct with respect to the association or its members;

1439 (b) gross abuse of the position of director;

1440 (c) intentional or reckless infliction of harm on the association; or

1441 (d) any other behavior, act, or omission as provided by the organic rules.

1442 (2) A suspension under Subsection (1) is effective for 30 days unless the board of  
1443 directors calls and gives notice of a special meeting of members for removal of the director  
1444 before the end of the 30-day period in which case the suspension is effective until adjournment  
1445 of the meeting or the director is removed.

1446 Section 76. Section **16-16-809** is enacted to read:

1447 **16-16-809. Vacancy on board.**

1448 (1) Unless the organic rules otherwise provide, a vacancy on the board of directors  
1449 must be filled:

1450 (a) within a reasonable time by majority vote of the remaining directors until the next  
1451 annual members meeting or a special meeting of members called to fill the vacancy; and

1452 (b) for the unexpired term by members at the next annual members meeting or a  
1453 special meeting of members called to fill the vacancy.

1454 (2) Unless the organic rules otherwise provide, if a vacating director was elected or  
1455 appointed by a class of members or a district:

1456 (a) the new director must be of that class or district; and

1457 (b) the selection of the director for the unexpired term must be conducted in the same  
1458 manner as would the selection for that position without a vacancy.

1459 (3) If a member appointed a vacating director, the organic rules may provide for that  
1460 member to appoint a director to fill the vacancy.

1461 Section 77. Section **16-16-810** is enacted to read:

1462 **16-16-810. Remuneration of directors.**

1463 Unless the organic rules otherwise provide, the board of directors may set the  
1464 remuneration of directors and of nondirector committee members appointed under Subsection  
1465 16-16-817(1).

1466 Section 78. Section **16-16-811** is enacted to read:

1467 **16-16-811. Meetings.**

1468 (1) A board of directors shall meet at least annually and may hold meetings inside or  
1469 outside this state.

1470 (2) Unless the organic rules otherwise provide, a board of directors may permit  
1471 directors to attend or conduct board meetings through the use of any means of communication,  
1472 if all directors attending the meeting can communicate with each other during the meeting.

1473 Section 79. Section **16-16-812** is enacted to read:

1474 **16-16-812. Action without meeting.**

1475 (1) Unless prohibited by the organic rules, any action that may be taken by a board of  
1476 directors may be taken without a meeting if each director consents in a record to the action.

1477 (2) Consent under Subsection (1) may be withdrawn by a director in a record at any  
1478 time before the limited cooperative association receives consent from all directors.

1479 (3) A record of consent for any action under Subsection (1) may specify the effective  
1480 date or time of the action.

1481 Section 80. Section **16-16-813** is enacted to read:

1482 **16-16-813. Meetings and notice.**

1483 (1) Unless the organic rules otherwise provide, a board of directors may establish a  
1484 time, date, and place for regular board meetings, and notice of the time, date, place, or purpose



1485 of those meetings is not required.

1486 (2) Unless the organic rules otherwise provide, notice of the time, date, and place of a  
1487 special meeting of a board of directors must be given to all directors at least three days before  
1488 the meeting, the notice must contain a statement of the purpose of the meeting, and the meeting  
1489 is limited to the matters contained in the statement.

1490 Section 81. Section **16-16-814** is enacted to read:

1491 **16-16-814. Waiver of notice of meeting.**

1492 (1) Unless the organic rules otherwise provide, a director may waive any required  
1493 notice of a meeting of the board of directors in a record before, during, or after the meeting.

1494 (2) Unless the organic rules otherwise provide, a director's participation in a meeting is  
1495 a waiver of notice of that meeting unless:

1496 (a) the director objects to the meeting at the beginning of the meeting or promptly upon  
1497 the director's arrival at the meeting and does not thereafter vote in favor of or otherwise assent  
1498 to the action taken at the meeting; or

1499 (b) the director promptly objects upon the introduction of any matter for which notice  
1500 under Section 16-16-813 has not been given and does not thereafter vote in favor of or  
1501 otherwise assent to the action taken on the matter.

1502 Section 82. Section **16-16-815** is enacted to read:

1503 **16-16-815. Quorum.**

1504 (1) Unless the articles of organization provide for a greater number, a majority of the  
1505 total number of directors specified by the organic rules constitutes a quorum for a meeting of  
1506 the directors.

1507 (2) If a quorum of the board of directors is present at the beginning of a meeting, any  
1508 action taken by the directors present is valid even if withdrawal of directors originally present  
1509 results in the number of directors being fewer than the number required for a quorum.

1510 (3) A director present at a meeting but objecting to notice under Subsection  
1511 16-16-814(2)(a) or (b) does not count toward a quorum.

1512 Section 83. Section **16-16-816** is enacted to read:

1513 **16-16-816. Voting.**

1514 (1) Each director shall have one vote for purposes of decisions made by the board of  
1515 directors.

1516 (2) Unless the organic rules otherwise provide, the affirmative vote of a majority of  
1517 directors present at a meeting is required for action by the board of directors.

1518 Section 84. Section **16-16-817** is enacted to read:

1519 **16-16-817. Committees.**

1520 (1) Unless the organic rules otherwise provide, a board of directors may create one or  
1521 more committees and appoint one or more individuals to serve on a committee.

1522 (2) Unless the organic rules otherwise provide, an individual appointed to serve on a  
1523 committee of a limited cooperative association need not be a director or member.

1524 (3) An individual who is not a director and is serving on a committee has the same  
1525 rights, duties, and obligations as a director serving on the committee.

1526 (4) Unless the organic rules otherwise provide, each committee of a limited  
1527 cooperative association may exercise the powers delegated to it by the board of directors, but a  
1528 committee may not:

1529 (a) approve allocations or distributions except according to a formula or method  
1530 prescribed by the board of directors;

1531 (b) approve or propose to members action requiring approval of members; or

1532 (c) fill vacancies on the board of directors or any of its committees.

1533 Section 85. Section **16-16-818** is enacted to read:

1534 **16-16-818. Standards of conduct and liability.**

1535 Except as otherwise provided in Section 16-16-820:

1536 (1) the discharge of the duties of a director or member of a committee of the board of  
1537 directors is governed by the law applicable to directors of entities organized under Title 3,  
1538 Uniform Agricultural Cooperative Association Act; and

1539 (2) the liability of a director or member of a committee of the board of directors is  
1540 governed by the law applicable to directors of entities organized under Title 3, Uniform  
1541 Agricultural Cooperative Association Act.

1542 Section 86. Section **16-16-819** is enacted to read:

1543 **16-16-819. Conflict of interest.**

1544 (1) The law applicable to conflicts of interest between a director of an entity organized  
1545 under Title 3, Uniform Agricultural Cooperative Association Act, governs conflicts of interest  
1546 between a limited cooperative association and a director or member of a committee of the

1547 board of directors.

1548 (2) A director does not have a conflict of interest under this chapter or the organic rules  
1549 solely because the director's conduct relating to the duties of the director may further the  
1550 director's own interest.

1551 Section 87. Section **16-16-820** is enacted to read:

1552 **16-16-820. Other considerations of directors.**

1553 Unless the articles of organization otherwise provide, in considering the best interests  
1554 of a limited cooperative association, a director of the association in discharging the duties of  
1555 director, in conjunction with considering the long and short term interest of the association and  
1556 its patron members, may consider:

1557 (1) the interest of employees, customers, and suppliers of the association;

1558 (2) the interest of the community in which the association operates; and

1559 (3) other cooperative principles and values that may be applied in the context of the  
1560 decision.

1561 Section 88. Section **16-16-821** is enacted to read:

1562 **16-16-821. Right of director or committee member to information.**

1563 A director or a member of a committee appointed under Section 16-16-817 may obtain,  
1564 inspect, and copy all information regarding the state of activities and financial condition of the  
1565 limited cooperative association and other information regarding the activities of the association  
1566 if the information is reasonably related to the performance of the director's duties as director or  
1567 the committee member's duties as a member of the committee. Information obtained in  
1568 accordance with this section may not be used in any manner that would violate any duty of or  
1569 to the association.

1570 Section 89. Section **16-16-822** is enacted to read:

1571 **16-16-822. Appointment and authority of officers.**

1572 (1) A limited cooperative association has the officers:

1573 (a) provided in the organic rules; or

1574 (b) established by the board of directors in a manner not inconsistent with the organic  
1575 rules.

1576 (2) The organic rules may designate or, if the rules do not designate, the board of  
1577 directors shall designate, one of the association's officers for preparing all records required by

1578 Section 16-16-114 and for the authentication of records.

1579 (3) Unless the organic rules otherwise provide, the board of directors shall appoint the  
1580 officers of the limited cooperative association.

1581 (4) Officers of a limited cooperative association shall perform the duties the organic  
1582 rules prescribe or as authorized by the board of directors not in a manner inconsistent with the  
1583 organic rules.

1584 (5) The election or appointment of an officer of a limited cooperative association does  
1585 not of itself create a contract between the association and the officer.

1586 (6) Unless the organic rules otherwise provide, an individual may simultaneously hold  
1587 more than one office in a limited cooperative association.

1588 Section 90. Section **16-16-823** is enacted to read:

1589 **16-16-823. Resignation and removal of officers.**

1590 (1) The board of directors may remove an officer at any time with or without cause.

1591 (2) An officer of a limited cooperative association may resign at any time by giving  
1592 notice in a record to the association. Unless the notice specifies a later time, the resignation is  
1593 effective when the notice is given.

1594 Section 91. Section **16-16-901** is enacted to read:

1595 **Part 9. Indemnification**

1596 **16-16-901. Indemnification.**

1597 (1) Indemnification of an individual who has incurred liability or is a party, or is  
1598 threatened to be made a party, to litigation because of the performance of a duty to, or activity  
1599 on behalf of, a limited cooperative association is governed by Title 3, Uniform Agricultural  
1600 Cooperative Association Act.

1601 (b) A limited cooperative association may purchase and maintain insurance on behalf  
1602 of any individual against liability asserted against or incurred by the individual to the same  
1603 extent and subject to the same conditions as provided by Title 3, Uniform Agricultural  
1604 Cooperative Association Act.

1605 Section 92. Section **16-16-1001** is enacted to read:

1606 **Part 10. Contributions, Allocations, and Distributions**

1607 **16-16-1001. Members' contributions.**

1608 The organic rules must establish the amount, manner, or method of determining any

1609 contribution requirements for members or must authorize the board of directors to establish the  
1610 amount, manner, or other method of determining any contribution requirements for members.

1611 Section 93. Section **16-16-1002** is enacted to read:

1612 **16-16-1002. Contribution and valuation.**

1613 (1) Unless the organic rules otherwise provide, the contributions of a member to a  
1614 limited cooperative association may consist of tangible or intangible property or other benefit  
1615 to the association, including money, labor or other services performed or to be performed,  
1616 promissory notes, other agreements to contribute money or property, and contracts to be  
1617 performed.

1618 (2) The receipt and acceptance of contributions and the valuation of contributions must  
1619 be reflected in a limited cooperative association's records.

1620 (3) Unless the organic rules otherwise provide, the board of directors shall determine  
1621 the value of a member's contributions received or to be received and the determination by the  
1622 board of directors of valuation is conclusive for purposes of determining whether the member's  
1623 contribution obligation has been met.

1624 Section 94. Section **16-16-1003** is enacted to read:

1625 **16-16-1003. Contribution agreements.**

1626 (1) Except as otherwise provided in the agreement, the following rules apply to an  
1627 agreement made by a person before formation of a limited cooperative association to make a  
1628 contribution to the association:

1629 (a) The agreement is irrevocable for six months after the agreement is signed by the  
1630 person unless all parties to the agreement consent to the revocation.

1631 (b) If a person does not make a required contribution:

1632 (i) the person is obligated, at the option of the association, once formed, to contribute  
1633 money equal to the value of that part of the contribution that has not been made, and the  
1634 obligation may be enforced as a debt to the association; or

1635 (ii) the association, once formed, may rescind the agreement if the debt remains unpaid  
1636 more than 20 days after the association demands payment from the person, and upon rescission  
1637 the person has no further rights or obligations with respect to the association.

1638 (2) Unless the organic rules or an agreement to make a contribution to a limited  
1639 cooperative association otherwise provide, if a person does not make a required contribution to

1640 an association, the person or the person's estate is obligated, at the option of the association, to  
1641 contribute money equal to the value of the part of the contribution which has not been made.

1642 Section 95. Section **16-16-1004** is enacted to read:

1643 **16-16-1004. Allocations of profits and losses.**

1644 (1) The organic rules may provide for allocating profits of a limited cooperative  
1645 association among members, among persons that are not members but conduct business with  
1646 the association, to an unallocated account, or to any combination thereof. Unless the organic  
1647 rules otherwise provide, losses of the association must be allocated in the same proportion as  
1648 profits.

1649 (2) Unless the organic rules otherwise provide, all profits and losses of a limited  
1650 cooperative association must be allocated to patron members.

1651 (3) If a limited cooperative association has investor members, the organic rules may  
1652 not reduce the allocation to patron members to less than 50% of profits. For purposes of this  
1653 Subsection (3), the following rules apply:

1654 (a) Amounts paid or due on contracts for the delivery to the association by patron  
1655 members of products, goods, or services are not considered amounts allocated to patron  
1656 members.

1657 (b) Amounts paid, due, or allocated to investor members as a stated fixed return on  
1658 equity are not considered amounts allocated to investor members.

1659 (4) Unless prohibited by the organic rules, in determining the profits for allocation  
1660 under Subsections (1), (2), and (3), the board of directors may first deduct and set aside a part  
1661 of the profits to create or accumulate:

1662 (a) an unallocated capital reserve; and

1663 (b) reasonable unallocated reserves for specific purposes, including expansion and  
1664 replacement of capital assets; education, training, cooperative development; creation and  
1665 distribution of information concerning principles of cooperation; and community  
1666 responsibility.

1667 (5) Subject to Subsections (2) and (6) and the organic rules, the board of directors shall  
1668 allocate the amount remaining after any deduction or setting aside of profits for unallocated  
1669 reserves under Subsection (4):

1670 (a) to patron members in the ratio of each member's patronage to the total patronage of

1671 all patron members during the period for which allocations are to be made; and

1672 (b) to investor members, if any, in the ratio of each investor member's contributions to  
1673 the total contributions of all investor members.

1674 (6) For purposes of allocation of profits and losses or specific items of profits or losses  
1675 of a limited cooperative association to members, the organic rules may establish allocation  
1676 units or methods based on separate classes of members or, for patron members, on class,  
1677 function, division, district, department, allocation units, pooling arrangements, members'  
1678 contributions, or other equitable methods.

1679 Section 96. Section **16-16-1005** is enacted to read:

1680 **16-16-1005. Distributions.**

1681 (1) Unless the organic rules otherwise provide and subject to Section 16-16-1007, the  
1682 board of directors may authorize, and the limited cooperative association may make,  
1683 distributions to members.

1684 (2) Unless the organic rules otherwise provide, distributions to members may be made  
1685 in any form, including money, capital credits, allocated patronage equities, revolving fund  
1686 certificates, and the limited cooperative association's own or other securities.

1687 Section 97. Section **16-16-1006** is enacted to read:

1688 **16-16-1006. Redemption or repurchase.**

1689 Property distributed to a member by a limited cooperative association, other than  
1690 money, may be redeemed or repurchased as provided in the organic rules but a redemption or  
1691 repurchase may not be made without authorization by the board of directors. The board may  
1692 withhold authorization for any reason in its sole discretion. A redemption or repurchase is  
1693 treated as a distribution for purposes of Section 16-16-1007.

1694 Section 98. Section **16-16-1007** is enacted to read:

1695 **16-16-1007. Limitations on distributions.**

1696 (1) A limited cooperative association may not make a distribution if, after the  
1697 distribution:

1698 (a) the association would not be able to pay its debts as they become due in the  
1699 ordinary course of the association's activities; or

1700 (b) the association's assets would be less than the sum of its total liabilities.

1701 (2) A limited cooperative association may base a determination that a distribution is

1702 not prohibited under Subsection (1) on financial statements prepared on the basis of accounting  
1703 practices and principles that are reasonable in the circumstances or on a fair valuation or other  
1704 method that is reasonable in the circumstances.

1705 (3) Except as otherwise provided in Subsection (4), the effect of a distribution allowed  
1706 under Subsection (2) is measured:

1707 (a) in the case of distribution by purchase, redemption, or other acquisition of financial  
1708 rights in the limited cooperative association, as of the date money or other property is  
1709 transferred or debt is incurred by the association; and

1710 (b) in all other cases, as of the date:

1711 (i) the distribution is authorized, if the payment occurs not later than 120 days after that  
1712 date; or

1713 (ii) the payment is made, if payment occurs more than 120 days after the distribution is  
1714 authorized.

1715 (4) If indebtedness is issued as a distribution, each payment of principal or interest on  
1716 the indebtedness is treated as a distribution, the effect of which is measured on the date the  
1717 payment is made.

1718 (5) For purposes of this section, "distribution" does not include reasonable amounts  
1719 paid to a member in the ordinary course of business as payment or compensation for  
1720 commodities, goods, past or present services, or reasonable payments made in the ordinary  
1721 course of business under a bona fide retirement or other benefits program.

1722 Section 99. Section **16-16-1008** is enacted to read:

1723 **16-16-1008. Liability for improper distributions -- Limitation of action.**

1724 (1) A director who consents to a distribution that violates Section 16-16-1007 is  
1725 personally liable to the limited cooperative association for the amount of the distribution which  
1726 exceeds the amount that could have been distributed without the violation if it is established  
1727 that in consenting to the distribution the director failed to comply with Section 16-16-818 or  
1728 16-16-819.

1729 (2) A member or transferee of financial rights which received a distribution knowing  
1730 that the distribution was made in violation of Section 16-16-1007 is personally liable to the  
1731 limited cooperative association to the extent the distribution exceeded the amount that could  
1732 have been properly paid.



- 1733 (3) A director against whom an action is commenced under Subsection (1) may:  
1734 (a) implead in the action any other director who is liable under Subsection (1) and  
1735 compel contribution from the person; and  
1736 (b) implead in the action any person that is liable under Subsection (2) and compel  
1737 contribution from the person in the amount the person received as described in Subsection (2).  
1738 (4) An action under this section is barred if it is commenced later than two years after  
1739 the distribution.

1740 Section 100. Section **16-16-1009** is enacted to read:

1741 **16-16-1009. Alternative distribution of unclaimed property, distributions,**  
1742 **redemptions, or payments.**

1743 A limited cooperative association may distribute unclaimed property, distributions,  
1744 redemptions, or payments by complying with Section 3-1-11.

1745 Section 101. Section **16-16-1101** is enacted to read:

1746 **Part 11. Dissociation**

1747 **16-16-1101. Member's dissociation.**

- 1748 (1) A person has the power to dissociate as a member at any time, rightfully or  
1749 wrongfully, by express will.  
1750 (2) Unless the organic rules otherwise provide, a member's dissociation from a limited  
1751 cooperative association is wrongful only if the dissociation:  
1752 (a) breaches an express provision of the organic rules; or  
1753 (b) occurs before the termination of the limited cooperative association and:  
1754 (i) the person is expelled as a member under Subsection (4)(c) or (d); or  
1755 (ii) in the case of a person that is not an individual, trust other than a business trust, or  
1756 estate, the person is expelled or otherwise dissociated as a member because it dissolved or  
1757 terminated in bad faith.  
1758 (3) Unless the organic rules otherwise provide, a person that wrongfully dissociates as  
1759 a member is liable to the limited cooperative association for damages caused by the  
1760 dissociation. The liability is in addition to any other debt, obligation, or liability of the person  
1761 to the association.  
1762 (4) A member is dissociated from the limited cooperative association as a member  
1763 when:

1764 (a) the association receives notice in a record of the member's express will to dissociate  
1765 as a member, or if the member specifies in the notice an effective date later than the date the  
1766 association received notice, on that later date;

1767 (b) an event stated in the organic rules as causing the member's dissociation as a  
1768 member occurs;

1769 (c) the member is expelled as a member under the organic rules;

1770 (d) the member is expelled as a member by the board of directors because:

1771 (i) it is unlawful to carry on the association's activities with the member as a member;

1772 (ii) there has been a transfer of all the member's financial rights in the association,

1773 other than:

1774 (A) a creation or perfection of a security interest; or

1775 (B) a charging order in effect under Section 16-16-505 which has not been foreclosed;

1776 (iii) the member is a limited liability company, association, or partnership, it has been  
1777 dissolved, and its business is being wound up;

1778 (iv) the member is a corporation or cooperative and:

1779 (A) the member filed a certificate of dissolution or the equivalent, or the jurisdiction of  
1780 formation revoked the association's charter or right to conduct business;

1781 (B) the association sends a notice to the member that it will be expelled as a member  
1782 for a reason described in Subsection (4)(d)(iv)(A); and

1783 (C) not later than 90 days after the notice was sent under Subsection (4)(d)(iv)(B), the  
1784 member did not revoke the member's certificate of dissolution or the equivalent, or the  
1785 jurisdiction of formation did not reinstate the association's charter or right to conduct business;

1786 or

1787 (v) the member is an individual and is adjudged incompetent;

1788 (e) in the case of a member who is an individual, the individual dies;

1789 (f) in the case of a member that is a trust or is acting as a member by virtue of being a  
1790 trustee of a trust, all the trust's financial rights in the association are distributed;

1791 (g) in the case of a member that is an estate, the estate's entire financial interest in the  
1792 association is distributed;

1793 (h) in the case of a member that is not an individual, partnership, limited liability  
1794 company, cooperative, corporation, trust, or estate, the member is terminated; or

1795 (i) the association's participation in a merger if, under the plan of merger as approved  
1796 under Part 16, Conversion and Merger, the member ceases to be a member.

1797 Section 102. Section **16-16-1102** is enacted to read:

1798 **16-16-1102. Effect of dissociation as member.**

1799 (1) Upon a member's dissociation:

1800 (a) subject to Section 16-16-1103, the person has no further rights as a member; and

1801 (b) subject to Section 16-16-1103 and Part 16, Conversion and Merger, any financial

1802 rights owned by the person in the person's capacity as a member immediately before

1803 dissociation are owned by the person as a transferee.

1804 (2) A person's dissociation as a member does not of itself discharge the person from

1805 any debt, obligation, or liability to the limited cooperative association which the person

1806 incurred under the organic rules, by contract, or by other means while a member.

1807 Section 103. Section **16-16-1103** is enacted to read:

1808 **16-16-1103. Power of estate of member.**

1809 Unless the organic rules provide for greater rights, if a member is dissociated because

1810 of death, dies, or is expelled by reason of being adjudged incompetent, the member's personal

1811 representative or other legal representative may exercise the rights of a transferee of the

1812 member's financial rights and, for purposes of settling the estate of a deceased member, may

1813 exercise the informational rights of a current member to obtain information under Section

1814 16-16-505.

1815 Section 104. Section **16-16-1201** is enacted to read:

1816 **Part 12. Dissolution**

1817 **16-16-1201. Dissolution and winding up.**

1818 A limited cooperative association is dissolved only as provided in this part and upon

1819 dissolution winds up in accordance with this part.

1820 Section 105. Section **16-16-1202** is enacted to read:

1821 **16-16-1202. Nonjudicial dissolution.**

1822 Except as otherwise provided in Sections 16-16-1203 and 16-16-1211, a limited

1823 cooperative association is dissolved and its activities must be wound up:

1824 (1) upon the occurrence of an event or at a time specified in the articles of

1825 organization;

1826 (2) upon the action of the association's organizers, board of directors, or members  
1827 under Section 16-16-1204 or 16-16-1205; or

1828 (3) 90 days after the dissociation of a member, which results in the association having  
1829 one patron member and no other members, unless the association:

1830 (a) has a sole member that is a cooperative; or

1831 (b) not later than the end of the 90-day period, admits at least one member in  
1832 accordance with the organic rules and has at least two members, at least one of which is a  
1833 patron member.

1834 Section 106. Section **16-16-1203** is enacted to read:

1835 **16-16-1203. Judicial dissolution.**

1836 The district court may dissolve a limited cooperative association or order any action  
1837 that under the circumstances is appropriate and equitable:

1838 (1) in a proceeding initiated by the attorney general, if:

1839 (a) the association obtained its articles of organization through fraud; or

1840 (b) the association has continued to exceed or abuse the authority conferred upon it by  
1841 law; or

1842 (2) in a proceeding initiated by a member, if:

1843 (a) the directors are deadlocked in the management of the association's affairs, the  
1844 members are unable to break the deadlock, and irreparable injury to the association is occurring  
1845 or is threatened because of the deadlock;

1846 (b) the directors or those in control of the association have acted, are acting, or will act  
1847 in a manner that is illegal, oppressive, or fraudulent;

1848 (c) the members are deadlocked in voting power and have failed to elect successors to  
1849 directors whose terms have expired for two consecutive periods during which annual members  
1850 meetings were held or were to be held; or

1851 (d) the assets of the association are being misapplied or wasted.

1852 Section 107. Section **16-16-1204** is enacted to read:

1853 **16-16-1204. Voluntary dissolution before commencement of activity.**

1854 A majority of the organizers or initial directors of a limited cooperative association that  
1855 has not yet begun business activity or the conduct of its affairs may dissolve the association.

1856 Section 108. Section **16-16-1205** is enacted to read:

1857 **16-16-1205. Voluntary dissolution by the board and members.**

1858 (1) Except as otherwise provided in Section 16-16-1204, for a limited cooperative  
1859 association to voluntarily dissolve:

1860 (a) a resolution to dissolve must be approved by a majority vote of the board of  
1861 directors unless a greater percentage is required by the organic rules;

1862 (b) the board of directors must call a members meeting to consider the resolution, to be  
1863 held not later than 90 days after adoption of the resolution; and

1864 (c) the board of directors must mail or otherwise transmit or deliver to each member in  
1865 a record that complies with Section 16-16-508:

1866 (i) the resolution required by Subsection (1)(a);

1867 (ii) a recommendation that the members vote in favor of the resolution or, if the board  
1868 determines that because of conflict of interest or other special circumstances it should not make  
1869 a favorable recommendation, the basis of that determination; and

1870 (iii) notice of the members meeting, which must be given in the same manner as notice  
1871 of a special meeting of members.

1872 (2) Subject to Subsection (3), a resolution to dissolve must be approved by:

1873 (a) at least two-thirds of the voting power of members present at a members meeting  
1874 called under Subsection (1)(b); and

1875 (b) if the limited cooperative association has investor members, at least a majority of  
1876 the votes cast by patron members, unless the organic rules require a greater percentage.

1877 (3) The organic rules may require that the percentage of votes under Subsection (2)(a)  
1878 is:

1879 (a) a different percentage that is not less than a majority of members voting at the  
1880 meeting;

1881 (b) measured against the voting power of all members; or

1882 (c) a combination of Subsections (3)(a) and (b).

1883 Section 109. Section **16-16-1206** is enacted to read:

1884 **16-16-1206. Winding up.**

1885 (1) A limited cooperative association continues after dissolution only for purposes of  
1886 winding up its activities.

1887 (2) In winding up a limited cooperative association's activities, the board of directors

1888 shall cause the association to:

1889 (a) discharge its liabilities, settle and close its activities, and marshal and distribute its  
1890 assets;

1891 (b) preserve the association or its property as a going concern for no more than a  
1892 reasonable time;

1893 (c) prosecute and defend actions and proceedings;

1894 (d) transfer association property; and

1895 (e) perform other necessary acts.

1896 (3) After dissolution and upon application of a limited cooperative association, a  
1897 member, or a holder of financial rights, the district court may order judicial supervision of the  
1898 winding up of the association, including the appointment of a person to wind up the  
1899 association's activities, if:

1900 (a) after a reasonable time, the association has not wound up its activities; or

1901 (b) the applicant establishes other good cause.

1902 (4) If a person is appointed pursuant to Subsection (3) to wind up the activities of a  
1903 limited cooperative association, the association shall promptly deliver to the division for filing  
1904 an amendment to the articles of organization to reflect the appointment.

1905 Section 110. Section **16-16-1207** is enacted to read:

1906 **16-16-1207. Distribution of assets in winding up limited cooperative association.**

1907 (1) In winding up a limited cooperative association's business, the association shall  
1908 apply its assets to discharge its obligations to creditors, including members that are creditors.  
1909 The association shall apply any remaining assets to pay in money the net amount distributable  
1910 to members in accordance with their right to distributions under Subsection (2).

1911 (2) Unless the organic rules otherwise provide, in this Subsection (2) "financial  
1912 interests" means the amounts recorded in the names of members in the records of a limited  
1913 cooperative association at the time a distribution is made, including amounts paid to become a  
1914 member, amounts allocated but not distributed to members, and amounts of distributions  
1915 authorized but not yet paid to members. Unless the organic rules otherwise provide, each  
1916 member is entitled to a distribution from the association of any remaining assets in the  
1917 proportion of the member's financial interests to the total financial interests of the members  
1918 after all other obligations are satisfied.

1919 Section 111. Section **16-16-1208** is enacted to read:

1920 **16-16-1208. Known claims against dissolved limited cooperative association.**

1921 (1) Subject to Subsection (4), a dissolved limited cooperative association may dispose  
1922 of the known claims against it by following the procedure in Subsections (2) and (3).

1923 (2) A dissolved limited cooperative association may notify its known claimants of the  
1924 dissolution in a record. The notice must:

1925 (a) specify that a claim be in a record;

1926 (b) specify the information required to be included in the claim;

1927 (c) provide an address to which the claim must be sent;

1928 (d) state the deadline for receipt of the claim, which may not be less than 120 days after  
1929 the date the notice is received by the claimant; and

1930 (e) state that the claim will be barred if not received by the deadline.

1931 (3) A claim against a dissolved limited cooperative association is barred if the  
1932 requirements of Subsection (2) are met, and:

1933 (a) the association is not notified of the claimant's claim, in a record, by the deadline  
1934 specified in the notice under Subsection (2)(d);

1935 (b) in the case of a claim that is timely received but rejected by the association, the  
1936 claimant does not commence an action to enforce the claim against the association not later  
1937 than 90 days after receipt of the notice of the rejection; or

1938 (c) if a claim is timely received but is neither accepted nor rejected by the association  
1939 not later than 120 days after the deadline for receipt of claims, the claimant does not commence  
1940 an action to enforce the claim against the association:

1941 (i) after the 120-day period; and

1942 (ii) not later than 90 days after the 120-day period.

1943 (4) This section does not apply to a claim based on an event occurring after the date of  
1944 dissolution or a liability that is contingent on that date.

1945 Section 112. Section **16-16-1209** is enacted to read:

1946 **16-16-1209. Other claims against dissolved limited cooperative association.**

1947 (1) A dissolved limited cooperative association may publish notice of its dissolution  
1948 and request persons having claims against the association to present them in accordance with  
1949 the notice.

1950           (2) A notice under Subsection (1) must:  
1951           (a) be published at least once in a newspaper of general circulation in the county in  
1952 which the dissolved limited cooperative association's principal office is located or, if the  
1953 association does not have a principal office in this state, in the county in which the association's  
1954 designated office is or was last located;  
1955           (b) describe the information required to be contained in a claim and provide an address  
1956 to which the claim is to be sent; and  
1957           (c) state that a claim against the association is barred unless an action to enforce the  
1958 claim is commenced not later than three years after publication of the notice.  
1959           (3) If a dissolved limited cooperative association publishes a notice in accordance with  
1960 Subsection (2), the claim of each of the following claimants is barred unless the claimant  
1961 commences an action to enforce the claim not later than three years after the first publication  
1962 date of the notice:  
1963           (a) a claimant that is entitled to but did not receive notice in a record under Section  
1964 16-16-1208; and  
1965           (b) a claimant whose claim is contingent or based on an event occurring after the  
1966 effective date of dissolution.  
1967           (4) A claim not barred under this section may be enforced:  
1968           (a) against a dissolved limited cooperative association, to the extent of its undistributed  
1969 assets; or  
1970           (b) if the association's assets have been distributed in connection with winding up the  
1971 association's activities against a member or holder of financial rights to the extent of that  
1972 person's proportionate share of the claim or the association's assets distributed to the person in  
1973 connection with the winding up, whichever is less. The person's total liability for all claims  
1974 under this Subsection (4) shall not exceed the total amount of assets distributed to the person as  
1975 part of the winding up of the association.  
1976           Section 113. Section **16-16-1210** is enacted to read:  
1977           **16-16-1210. Court proceeding.**  
1978           (1) Upon application by a dissolved limited cooperative association that has published  
1979 a notice under Section 16-16-1209, the district court in the county where the association's  
1980 principal office is located or, if the association does not have a principal office in this state



1981 where its designated office in this state is located, may determine the amount and form of  
1982 security to be provided for payment of claims against the association that are contingent, have  
1983 not been made known to the association, or are based on an event occurring after the effective  
1984 date of dissolution but that, based on the facts known to the association, are reasonably  
1985 anticipated to arise after the effective date of dissolution.

1986 (2) Not later than ten days after filing an application under Subsection (1), a dissolved  
1987 limited cooperative association shall give notice of the proceeding to each known claimant  
1988 holding a contingent claim.

1989 (3) The court may appoint a representative in a proceeding brought under this section  
1990 to represent all claimants whose identities are unknown. The dissolved limited cooperative  
1991 association shall pay reasonable fees and expenses of the representative, including all  
1992 reasonable attorney and expert witness fees.

1993 (4) Provision by the dissolved limited cooperative association for security in the  
1994 amount and the form ordered by the court satisfies the association's obligations with respect to  
1995 claims that are contingent, have not been made known to the association, or are based on an  
1996 event occurring after the effective date of dissolution, and the claims may not be enforced  
1997 against a member that received a distribution.

1998 Section 114. Section **16-16-1211** is enacted to read:

1999 **16-16-1211. Administrative dissolution.**

2000 (1) The division may dissolve a limited cooperative association administratively if the  
2001 association does not:

2002 (a) pay, not later than 60 days after the due date, any fee, tax, or penalty due to the  
2003 division under this chapter or other law; or

2004 (b) deliver not later than 60 days after the due date its annual report to the division.

2005 (2) If the division determines that a ground exists for dissolving a limited cooperative  
2006 association administratively, the division shall file a record of the determination and serve the  
2007 association with a copy of the record.

2008 (3) If, not later than 60 days after service of a copy of the division's determination  
2009 under Subsection (2), the association does not correct each ground for dissolution or  
2010 demonstrate to the satisfaction of the division that each uncorrected ground determined by the  
2011 division does not exist, the division shall dissolve the association administratively by preparing

2012 and filing a declaration of dissolution which states the grounds for dissolution. The division  
2013 shall serve the association with a copy of the declaration.

2014 (4) A limited cooperative association that has been dissolved administratively  
2015 continues its existence only for purposes of winding up its activities.

2016 (5) The administrative dissolution of a limited cooperative association does not  
2017 terminate the authority of its agent for service of process.

2018 Section 115. Section **16-16-1212** is enacted to read:

2019 **16-16-1212. Reinstatement following administrative dissolution.**

2020 (1) A limited cooperative association that has been dissolved administratively may  
2021 apply to the division for reinstatement not later than two years after the effective date of  
2022 dissolution. The application must be delivered to the division for filing and state:

2023 (a) the name of the association and the effective date of its administrative dissolution;

2024 (b) that the grounds for dissolution either did not exist or have been eliminated; and

2025 (c) that the association's name satisfies the requirements of Section 16-16-111.

2026 (2) If the division determines that an application contains the information required by  
2027 Subsection (1) and that the information is correct, the division shall:

2028 (a) prepare a declaration of reinstatement;

2029 (b) file the original of the declaration; and

2030 (c) serve a copy of the declaration on the association.

2031 (3) When reinstatement under this section becomes effective, it relates back to and  
2032 takes effect as of the effective date of the administrative dissolution, and the limited  
2033 cooperative association may resume or continue its activities as if the administrative  
2034 dissolution had not occurred.

2035 Section 116. Section **16-16-1213** is enacted to read:

2036 **16-16-1213. Denial of reinstatement -- Appeal.**

2037 (1) If the division denies a limited cooperative association's application for  
2038 reinstatement following administrative dissolution, the division shall prepare and file a notice  
2039 that explains the reason for denial and serve the association with a copy of the notice.

2040 (2) Not later than 30 days after service of a notice of denial of reinstatement by the  
2041 division, a limited cooperative association may appeal the denial by petitioning the district  
2042 court to set aside the dissolution. The petition must be served on the division and contain a

2043 copy of the division's declaration of dissolution, the association's application for reinstatement,  
2044 and the division's notice of denial.

2045 (3) The court may summarily order the division to reinstate the dissolved cooperative  
2046 association or may take other action the court considers appropriate.

2047 Section 117. Section **16-16-1214** is enacted to read:

2048 **16-16-1214. Statement of dissolution.**

2049 (1) A limited cooperative association that has dissolved or is about to dissolve may  
2050 deliver to the division for filing a statement of dissolution that states:

2051 (a) the name of the association;

2052 (b) the date the association dissolved or will dissolve; and

2053 (c) any other information the association considers relevant.

2054 (2) A person has notice of a limited cooperative association's dissolution on the later  
2055 of:

2056 (a) 90 days after a statement of dissolution is filed; or

2057 (b) the effective date stated in the statement of dissolution.

2058 Section 118. Section **16-16-1215** is enacted to read:

2059 **16-16-1215. Statement of termination.**

2060 (1) A dissolved limited cooperative association that has completed winding up may  
2061 deliver to the division for filing a statement of termination that states:

2062 (a) the name of the association;

2063 (b) the date of filing of its initial articles of organization; and

2064 (c) that the association is terminated.

2065 (2) The filing of a statement of termination does not itself terminate the limited  
2066 cooperative association.

2067 Section 119. Section **16-16-1301** is enacted to read:

2068 **Part 13. Action by member**

2069 **16-16-1301. Derivative action.**

2070 A member may maintain a derivative action to enforce a right of a limited cooperative  
2071 association if:

2072 (1) the member demands that the association bring an action to enforce the right; and

2073 (2) any of the following occur:

- 2074 (a) the association does not, not later than 90 days after the member makes the demand,
- 2075 agree to bring the action;
- 2076 (b) the association notifies the member that it has rejected the demand;
- 2077 (c) irreparable harm to the association would result by waiting 90 days after the
- 2078 member makes the demand; or
- 2079 (d) the association agrees to bring an action demanded and fails to bring the action
- 2080 within a reasonable time.

2081 Section 120. Section **16-16-1302** is enacted to read:

2082 **16-16-1302. Proper plaintiff.**

2083 (1) A derivative action to enforce a right of a limited cooperative association may be

2084 maintained only by a person that:

2085 (a) is a member or a dissociated member at the time the action is commenced and:

2086 (i) was a member when the conduct giving rise to the action occurred; or

2087 (ii) whose status as a member devolved upon the person by operation of law or the

2088 organic rules from a person that was a member at the time of the conduct; and

2089 (b) adequately represents the interests of the association.

2090 (2) If the sole plaintiff in a derivative action dies while the action is pending, the court

2091 may permit another member who meets the requirements of Subsection (1) to be substituted as

2092 plaintiff.

2093 Section 121. Section **16-16-1303** is enacted to read:

2094 **16-16-1303. Pleading.**

2095 In a derivative action to enforce a right of a limited cooperative association, the

2096 complaint must state:

2097 (1) the date and content of the plaintiff's demand under Subsection 16-16-1301(1) and

2098 the association's response;

2099 (2) if 90 days have not expired since the demand, how irreparable harm to the

2100 association would result by waiting for the expiration of 90 days; and

2101 (3) if the association agreed to bring an action demanded, that the action has not been

2102 brought within a reasonable time.

2103 Section 122. Section **16-16-1304** is enacted to read:

2104 **16-16-1304. Approval for discontinuance or settlement.**

2105 A derivative action to enforce a right of a limited cooperative association may not be  
2106 discontinued or settled without the court's approval.

2107 Section 123. Section **16-16-1305** is enacted to read:

2108 **16-16-1305. Proceeds and expenses.**

2109 (1) Except as otherwise provided in Subsection (2):

2110 (a) any proceeds or other benefits of a derivative action to enforce a right of a limited  
2111 cooperative association, whether by judgment, compromise, or settlement, belong to the  
2112 association and not to the plaintiff; and

2113 (b) if the plaintiff in the derivative action receives any proceeds, the plaintiff shall  
2114 immediately remit them to the association.

2115 (2) If a derivative action to enforce a right of a limited cooperative association is  
2116 successful in whole or in part, the court may award the plaintiff reasonable expenses, including  
2117 reasonable attorney fees and costs, from the recovery of the association.

2118 Section 124. Section **16-16-1401** is enacted to read:

2119 **Part 14. Foreign Cooperatives**

2120 **16-16-1401. Governing law.**

2121 (1) The law of the state or other jurisdiction under which a foreign cooperative is  
2122 organized governs relations among the members of the foreign cooperative and between the  
2123 members and the foreign cooperative.

2124 (2) A foreign cooperative may not be denied a certificate of authority because of any  
2125 difference between the law of the jurisdiction under which the foreign cooperative is organized  
2126 and the law of this state.

2127 (3) A certificate of authority does not authorize a foreign cooperative to engage in any  
2128 activity or exercise any power that a limited cooperative association may not engage in or  
2129 exercise in this state.

2130 Section 125. Section **16-16-1402** is enacted to read:

2131 **16-16-1402. Application for certificate of authority.**

2132 (1) A foreign cooperative may apply for a certificate of authority by delivering an  
2133 application to the division for filing. The application must state:

2134 (a) the name of the foreign cooperative and, if the name does not comply with Section  
2135 16-16-111, an alternative name adopted pursuant to Section 16-16-1405;

2136 (b) the name of the state or other jurisdiction under whose law the foreign cooperative  
2137 is organized;

2138 (c) the street address and, if different, mailing address of the principal office and, if the  
2139 law of the jurisdiction under which the foreign cooperative is organized requires the foreign  
2140 cooperative to maintain another office in that jurisdiction, the street address and, if different,  
2141 mailing address of the required office;

2142 (d) the street address and, if different, mailing address of the foreign cooperative's  
2143 designated office in this state, and the name of the foreign cooperative's agent for service of  
2144 process at the designated office; and

2145 (e) the name, street address and, if different, mailing address of each of the foreign  
2146 cooperative's current directors and officers.

2147 (2) A foreign cooperative shall deliver with a completed application under Subsection  
2148 (1) a certificate of good standing or a similar record signed by the division or other official  
2149 having custody of the foreign cooperative's publicly filed records in the state or other  
2150 jurisdiction under whose law the foreign cooperative is organized.

2151 Section 126. Section **16-16-1403** is enacted to read:

2152 **16-16-1403. Activities not constituting transacting business.**

2153 (1) Activities of a foreign cooperative which do not constitute transacting business in  
2154 this state under this part include:

2155 (a) maintaining, defending, and settling an action or proceeding;

2156 (b) holding meetings of the foreign cooperative's members or directors or carrying on  
2157 any other activity concerning the foreign cooperative's internal affairs;

2158 (c) maintaining accounts in financial institutions;

2159 (d) maintaining offices or agencies for the transfer, exchange, and registration of the  
2160 foreign cooperative's own securities or maintaining trustees or depositories with respect to  
2161 those securities;

2162 (e) selling through independent contractors;

2163 (f) soliciting or obtaining orders, whether by mail or electronic means, through  
2164 employees, agents, or otherwise, if the orders require acceptance outside this state before they  
2165 become contracts;

2166 (g) creating or acquiring indebtedness, mortgages, or security interests in real or

2167 personal property;

2168 (h) securing or collecting debts or enforcing mortgages or other security interests in  
2169 property securing the debts, and holding, protecting, and maintaining property so acquired;

2170 (i) conducting an isolated transaction that is completed within 30 days and is not one in  
2171 the course of similar transactions; and

2172 (j) transacting business in interstate commerce.

2173 (2) For purposes of this part, the ownership in this state of income-producing real  
2174 property or tangible personal property, other than property excluded under Subsection (1),  
2175 constitutes transacting business in this state.

2176 (3) This section does not apply in determining the contacts or activities that may  
2177 subject a foreign cooperative to service of process, taxation, or regulation under law of this  
2178 state other than this chapter.

2179 Section 127. Section **16-16-1404** is enacted to read:

2180 **16-16-1404. Issuance of certificate of authority.**

2181 Unless the division determines that an application for a certificate of authority does not  
2182 comply with the filing requirements of this chapter, the division, upon payment by the foreign  
2183 cooperative of all filing fees, shall file the application, issue a certificate of authority, and send  
2184 a copy of the filed certificate, together with a receipt for the fees, to the foreign cooperative or  
2185 its representative.

2186 Section 128. Section **16-16-1405** is enacted to read:

2187 **16-16-1405. Noncomplying name of foreign cooperative.**

2188 (1) A foreign cooperative whose name does not comply with Section 16-16-111 may  
2189 not obtain a certificate of authority until it adopts, for the purpose of transacting business in  
2190 this state, an alternative name that complies with Section 16-16-111. A foreign cooperative  
2191 that adopts an alternative name under this Subsection (1) and then obtains a certificate of  
2192 authority with that name need not also comply with Section 42-2-5. After obtaining a  
2193 certificate of authority with an alternative name, a foreign cooperative's business in this state  
2194 must be transacted under that name unless the foreign cooperative is authorized under Section  
2195 42-2-5 to transact business in this state under another name.

2196 (2) If a foreign cooperative authorized to transact business in this state changes its  
2197 name to one that does not comply with Section 16-16-111, it may not thereafter transact

2198 business in this state until it complies with Subsection (1) and obtains an amended certificate of  
2199 authority.

2200 Section 129. Section **16-16-1406** is enacted to read:

2201 **16-16-1406. Revocation of certificate of authority.**

2202 (1) A certificate of authority may be revoked by the division in the manner provided in  
2203 Subsection (2) if the foreign cooperative does not:

2204 (a) pay, not later than 60 days after the due date, any fee, tax, or penalty due to the  
2205 division under this chapter or any other law of this state;

2206 (b) deliver, not later than 60 days after the due date, its annual report;

2207 (c) appoint and maintain an agent for service of process; or

2208 (d) deliver for filing a statement of change not later than 30 days after a change has  
2209 occurred in the name of the agent or the address of the foreign cooperative's designated office.

2210 (2) To revoke a certificate of authority, the division must file a notice of revocation and  
2211 send a copy to the foreign cooperative's registered agent for service of process in this state or, if  
2212 the foreign cooperative does not appoint and maintain an agent for service of process in this  
2213 state, to the foreign cooperative's principal office. The notice must state:

2214 (a) the revocation's effective date, which must be at least 60 days after the date the  
2215 division sends the copy; and

2216 (b) the foreign cooperative's noncompliance that is the reason for the revocation.

2217 (3) The authority of a foreign cooperative to transact business in this state ceases on the  
2218 effective date of the notice of revocation unless before that date the foreign cooperative cures  
2219 each failure to comply stated in the notice. If the foreign cooperative cures the failures, the  
2220 division shall so indicate on the filed notice.

2221 Section 130. Section **16-16-1407** is enacted to read:

2222 **16-16-1407. Cancellation of certificate of authority -- Effect of failure to have**  
2223 **certificate.**

2224 (1) To cancel its certificate of authority, a foreign cooperative must deliver to the  
2225 division for filing a notice of cancellation. The certificate is canceled when the notice becomes  
2226 effective under Section 16-16-203.

2227 (2) A foreign cooperative transacting business in this state may not maintain an action  
2228 or proceeding in this state unless it has a certificate of authority.





2260 For a limited cooperative association to dispose of assets under Section 16-16-1502:  
2261 (1) a majority of the board of directors, or a greater percentage if required by the  
2262 organic rules, must approve the proposed disposition; and  
2263 (2) the board of directors must call a members meeting to consider the proposed  
2264 disposition, hold the meeting not later than 90 days after approval of the proposed disposition  
2265 by the board, and mail or otherwise transmit or deliver in a record to each member:  
2266 (a) the terms of the proposed disposition;  
2267 (b) a recommendation that the members approve the disposition, or if the board  
2268 determines that because of conflict of interest or other special circumstances it should not make  
2269 a favorable recommendation, the basis for that determination;  
2270 (c) a statement of any condition of the board's submission of the proposed disposition  
2271 to the members; and  
2272 (d) notice of the meeting at which the proposed disposition will be considered, which  
2273 must be given in the same manner as notice of a special meeting of members.  
2274 Section 135. Section **16-16-1504** is enacted to read:  
2275 **16-16-1504. Disposition of assets.**  
2276 (1) Subject to Subsection (2), a disposition of assets under Section 16-16-1502 must be  
2277 approved by:  
2278 (a) at least two-thirds of the voting power of members present at a members meeting  
2279 called under Subsection 16-16-1503(2); and  
2280 (b) if the limited cooperative association has investor members, at least a majority of  
2281 the votes cast by patron members, unless the organic rules require a greater percentage vote by  
2282 patron members.  
2283 (2) The organic rules may require that the percentage of votes under Subsection (1)(a)  
2284 is:  
2285 (a) a different percentage that is not less than a majority of members voting at the  
2286 meeting;  
2287 (b) measured against the voting power of all members; or  
2288 (c) a combination of Subsections (2)(a) and (b).  
2289 (3) Subject to any contractual obligations, after a disposition of assets is approved and  
2290 at any time before the consummation of the disposition, a limited cooperative association may

2291 approve an amendment to the contract for disposition or the resolution authorizing the  
2292 disposition or approve abandonment of the disposition:

2293 (a) as provided in the contract or the resolution; and  
2294 (b) except as prohibited by the resolution, with the same affirmative vote of the board  
2295 of directors and of the members as was required to approve the disposition.

2296 (4) The voting requirements for districts, classes, or voting groups under Section  
2297 16-16-404 apply to approval of a disposition of assets under this part.

2298 Section 136. Section **16-16-1601** is enacted to read:

2299 **Part 16. Conversion and Merger**

2300 **16-16-1601. Definitions.**

2301 In this part:

2302 (1) "Constituent entity" means an entity that is a party to a merger.

2303 (2) "Constituent limited cooperative association" means a limited cooperative  
2304 association that is a party to a merger.

2305 (3) "Converted entity" means the organization into which a converting entity converts  
2306 pursuant to Sections 16-16-1602 through 16-16-1605.

2307 (4) "Converting entity" means an entity that converts into another entity pursuant to  
2308 Sections 16-16-1602 through 16-16-1605.

2309 (5) "Converting limited cooperative association" means a converting entity that is a  
2310 limited cooperative association.

2311 (6) "Organizational documents" means articles of incorporation, bylaws, articles of  
2312 organization, operating agreements, partnership agreements, or other documents serving a  
2313 similar function in the creation and governance of an entity.

2314 (7) "Personal liability" means personal liability for a debt, liability, or other obligation  
2315 of an entity imposed, by operation of law or otherwise, on a person that co-owns or has an  
2316 interest in the entity:

2317 (a) by the entity's organic law solely because of the person co-owning or having an  
2318 interest in the entity; or

2319 (b) by the entity's organizational documents under a provision of the entity's organic  
2320 law authorizing those documents to make one or more specified persons liable for all or  
2321 specified parts of the entity's debts, liabilities, and other obligations solely because the person

2322 co-owns or has an interest in the entity.

2323 (8) "Surviving entity" means an entity into which one or more other entities are

2324 merged, whether the entity existed before the merger or is created by the merger.

2325 Section 137. Section **16-16-1602** is enacted to read:

2326 **16-16-1602. Conversion.**

2327 (1) An entity that is not a limited cooperative association may convert to a limited

2328 cooperative association and a limited cooperative association may convert to an entity that is

2329 not a limited cooperative association pursuant to this section, Sections 16-16-1603 through

2330 16-16-1605, and a plan of conversion, if:

2331 (a) the other entity's organic law authorizes the conversion;

2332 (b) the conversion is not prohibited by the law of the jurisdiction that enacted the other

2333 entity's organic law; and

2334 (c) the other entity complies with its organic law in effecting the conversion.

2335 (2) A plan of conversion must be in a record and must include:

2336 (a) the name and form of the entity before conversion;

2337 (b) the name and form of the entity after conversion;

2338 (c) the terms and conditions of the conversion, including the manner and basis for

2339 converting interests in the converting entity into any combination of money, interests in the

2340 converted entity, and other consideration; and

2341 (d) the organizational documents of the proposed converted entity.

2342 Section 138. Section **16-16-1603** is enacted to read:

2343 **16-16-1603. Action on plan of conversion by converting limited cooperative**

2344 **association.**

2345 (1) For a limited cooperative association to convert to another entity, a plan of

2346 conversion must be approved by a majority of the board of directors, or a greater percentage if

2347 required by the organic rules, and the board of directors must call a members meeting to

2348 consider the plan of conversion, hold the meeting not later than 90 days after approval of the

2349 plan by the board, and mail or otherwise transmit or deliver in a record to each member:

2350 (a) the plan, or a summary of the plan and a statement of the manner in which a copy of

2351 the plan in a record may be reasonably obtained by a member;

2352 (b) a recommendation that the members approve the plan of conversion, or if the board

2353 determines that because of a conflict of interest or other circumstances it should not make a  
2354 favorable recommendation, the basis for that determination;

2355 (c) a statement of any condition of the board's submission of the plan of conversion to  
2356 the members; and

2357 (d) notice of the meeting at which the plan of conversion will be considered, which  
2358 must be given in the same manner as notice of a special meeting of members.

2359 (2) Subject to Subsections (3) and (4), a plan of conversion must be approved by:

2360 (a) at least two-thirds of the voting power of members present at a members meeting  
2361 called under Subsection (1); and

2362 (b) if the limited cooperative association has investor members, at least a majority of  
2363 the votes cast by patron members, unless the organic rules require a greater percentage vote by  
2364 patron members.

2365 (3) The organic rules may require that the percentage of votes under Subsection (2)(a)  
2366 is:

2367 (a) a different percentage that is not less than a majority of members voting at the  
2368 meeting;

2369 (b) measured against the voting power of all members; or

2370 (c) a combination of Subsections (3)(a) and (b).

2371 (4) The vote required to approve a plan of conversion may not be less than the vote  
2372 required for the members of the limited cooperative association to amend the articles of  
2373 organization.

2374 (5) Consent in a record to a plan of conversion by a member must be delivered to the  
2375 limited cooperative association before delivery of articles of conversion for filing if as a result  
2376 of the conversion the member will have:

2377 (a) personal liability for an obligation of the association; or

2378 (b) an obligation or liability for an additional contribution.

2379 (6) Subject to Subsection (5) and any contractual rights, after a conversion is approved  
2380 and at any time before the effective date of the conversion, a converting limited cooperative  
2381 association may amend a plan of conversion or abandon the planned conversion:

2382 (a) as provided in the plan; and

2383 (b) except as prohibited by the plan, by the same affirmative vote of the board of

2384 directors and of the members as was required to approve the plan.

2385 (7) The voting requirements for districts, classes, or voting groups under Section

2386 16-16-404 apply to approval of a conversion under this part.

2387 Section 139. Section **16-16-1604** is enacted to read:

2388 **16-16-1604. Filings required for conversion -- Effective date.**

2389 (1) After a plan of conversion is approved:

2390 (a) a converting limited cooperative association shall deliver to the division for filing  
2391 articles of conversion, which must include:

2392 (i) a statement that the limited cooperative association has been converted into another  
2393 entity;

2394 (ii) the name and form of the converted entity and the jurisdiction of its governing  
2395 statute;

2396 (iii) the date the conversion is effective under the governing statute of the converted  
2397 entity;

2398 (iv) a statement that the conversion was approved as required by this chapter;

2399 (v) a statement that the conversion was approved as required by the governing statute  
2400 of the converted entity; and

2401 (vi) if the converted entity is an entity organized in a jurisdiction other than this state  
2402 and is not authorized to transact business in this state, the street address and, if different,  
2403 mailing address of an office which the division may use for purposes of Section 16-16-120; and

2404 (b) if the converting entity is not a converting limited cooperative association, the  
2405 converting entity shall deliver to the division for filing articles of organization, which must  
2406 include, in addition to the information required by Section 16-16-302:

2407 (i) a statement that the association was converted from another entity;

2408 (ii) the name and form of the converting entity and the jurisdiction of its governing  
2409 statute; and

2410 (iii) a statement that the conversion was approved in a manner that complied with the  
2411 converting entity's governing statute.

2412 (2) A conversion becomes effective:

2413 (a) if the converted entity is a limited cooperative association, when the articles of  
2414 conversion take effect pursuant to Subsection 16-16-203(3); or

2415 (b) if the converted entity is not a limited cooperative association, as provided by the  
2416 governing statute of the converted entity.

2417 Section 140. Section **16-16-1605** is enacted to read:

2418 **16-16-1605. Effect of conversion.**

2419 (1) An entity that has been converted pursuant to this part is for all purposes the same  
2420 entity that existed before the conversion and is not a new entity but, after conversion, is  
2421 organized under the organic law of the converted entity and is subject to that law and other law  
2422 as it applies to the converted entity.

2423 (2) When a conversion takes effect under this part:

2424 (a) all property owned by the converting entity remains vested in the converted entity;

2425 (b) all debts, liabilities, and other obligations of the converting entity continue as  
2426 obligations of the converted entity;

2427 (c) an action or proceeding pending by or against the converting entity may be  
2428 continued as if the conversion had not occurred;

2429 (d) except as prohibited by other law, all the rights, privileges, immunities, powers, and  
2430 purposes of the converting entity remain vested in the converted entity;

2431 (e) except as otherwise provided in the plan of conversion, the terms and conditions of  
2432 the plan of conversion take effect; and

2433 (f) except as otherwise provided in the plan of conversion, the conversion does not  
2434 dissolve a converting limited cooperative association for purposes of Part 12, Dissolution.

2435 (3) A converted entity that is an entity organized under the laws of a jurisdiction other  
2436 than this state consents to the jurisdiction of the courts of this state to enforce any obligation  
2437 owed by the converting limited cooperative association if, before the conversion, the  
2438 converting limited cooperative association was subject to suit in this state on the obligation. A  
2439 converted entity that is an entity organized under the laws of a jurisdiction other than this state  
2440 and not authorized to transact business in this state appoints the division as its agent for service  
2441 of process for purposes of enforcing an obligation under this Subsection (3). Service on the  
2442 division under this Subsection (3) is made in the same manner and with the same consequences  
2443 as under Subsections 16-16-120(3) and (4).

2444 Section 141. Section **16-16-1606** is enacted to read:

2445 **16-16-1606. Merger.**

2446 (1) One or more limited cooperative associations may merge with one or more other  
2447 entities pursuant to this part and a plan of merger if:

2448 (a) the governing statute of each of the other entities authorizes the merger;

2449 (b) the merger is not prohibited by the law of a jurisdiction that enacted any of those  
2450 governing statutes; and

2451 (c) each of the other entities complies with its governing statute in effecting the  
2452 merger.

2453 (2) A plan of merger must be in a record and must include:

2454 (a) the name and form of each constituent entity;

2455 (b) the name and form of the surviving entity and, if the surviving entity is to be  
2456 created by the merger, a statement to that effect;

2457 (c) the terms and conditions of the merger, including the manner and basis for  
2458 converting the interests in each constituent entity into any combination of money, interests in  
2459 the surviving entity, and other consideration;

2460 (d) if the surviving entity is to be created by the merger, the surviving entity's  
2461 organizational documents;

2462 (e) if the surviving entity is not to be created by the merger, any amendments to be  
2463 made by the merger to the surviving entity's organizational documents; and

2464 (f) if a member of a constituent limited cooperative association will have personal  
2465 liability with respect to a surviving entity, the identity of the member by descriptive class or  
2466 other reasonable manner.

2467 Section 142. Section **16-16-1607** is enacted to read:

2468 **16-16-1607. Notice and action on plan of merger by constituent limited**  
2469 **cooperative association.**

2470 (1) For a limited cooperative association to merge with another entity, a plan of merger  
2471 must be approved by a majority vote of the board of directors or a greater percentage if  
2472 required by the association's organic rules.

2473 (2) The board of directors shall call a members meeting to consider a plan of merger  
2474 approved by the board, hold the meeting not later than 90 days after approval of the plan by the  
2475 board, and mail or otherwise transmit or deliver in a record to each member:

2476 (a) the plan of merger, or a summary of the plan and a statement of the manner in



2477 which a copy of the plan in a record may be reasonably obtained by a member;

2478 (b) a recommendation that the members approve the plan of merger, or if the board  
2479 determines that because of conflict of interest or other special circumstances it should not make  
2480 a favorable recommendation, the basis for that determination;

2481 (c) a statement of any condition of the board's submission of the plan of merger to the  
2482 members; and

2483 (d) notice of the meeting at which the plan of merger will be considered, which must  
2484 be given in the same manner as notice of a special meeting of members.

2485 Section 143. Section **16-16-1608** is enacted to read:

2486 **16-16-1608. Approval or abandonment of merger by members.**

2487 (1) Subject to Subsections (2) and (3), a plan of merger must be approved by:

2488 (a) at least two-thirds of the voting power of members present at a members meeting  
2489 called under Subsection 16-16-1607(2); and

2490 (b) if the limited cooperative association has investor members, at least a majority of  
2491 the votes cast by patron members, unless the organic rules require a greater percentage vote by  
2492 patron members.

2493 (2) The organic rules may provide that the percentage of votes under Subsection (1)(a)  
2494 is:

2495 (a) a different percentage that is not less than a majority of members voting at the  
2496 meeting;

2497 (b) measured against the voting power of all members; or

2498 (c) a combination of Subsections (2)(a) and (b).

2499 (3) The vote required to approve a plan of merger may not be less than the vote  
2500 required for the members of the limited cooperative association to amend the articles of  
2501 organization.

2502 (4) Consent in a record to a plan of merger by a member must be delivered to the  
2503 limited cooperative association before delivery of articles of merger for filing pursuant to  
2504 Section 16-16-1609 if as a result of the merger the member will have:

2505 (a) personal liability for an obligation of the association; or

2506 (b) an obligation or liability for an additional contribution.

2507 (5) Subject to Subsection (4) and any contractual rights, after a merger is approved, and

2508 at any time before the effective date of the merger, a limited cooperative association that is a  
2509 party to the merger may approve an amendment to the plan of merger or approve abandonment  
2510 of the planned merger:

2511 (a) as provided in the plan; and

2512 (b) except as prohibited by the plan, with the same affirmative vote of the board of  
2513 directors and of the members as was required to approve the plan.

2514 (6) The voting requirements for districts, classes, or voting groups under Section  
2515 16-16-404 apply to approval of a merger under this part.

2516 Section 144. Section **16-16-1609** is enacted to read:

2517 **16-16-1609. Filings required for merger -- Effective date.**

2518 (1) After each constituent entity has approved a merger, articles of merger must be  
2519 signed on behalf of each constituent entity by an authorized representative.

2520 (2) The articles of merger must include:

2521 (a) the name and form of each constituent entity and the jurisdiction of its governing  
2522 statute;

2523 (b) the name and form of the surviving entity, the jurisdiction of its governing statute,  
2524 and, if the surviving entity is created by the merger, a statement to that effect;

2525 (c) the date the merger is effective under the governing statute of the surviving entity;

2526 (d) if the surviving entity is to be created by the merger and:

2527 (i) will be a limited cooperative association, the limited cooperative association's  
2528 articles of organization; or

2529 (ii) will be an entity other than a limited cooperative association, the organizational  
2530 document that creates the entity;

2531 (e) if the surviving entity is not created by the merger, any amendments provided for in  
2532 the plan of merger to the organizational document that created the entity;

2533 (f) a statement as to each constituent entity that the merger was approved as required  
2534 by the entity's governing statute;

2535 (g) if the surviving entity is a foreign organization not authorized to transact business  
2536 in this state, the street address and, if different, mailing address of an office which the division  
2537 may use for the purposes of Section 16-16-120; and

2538 (h) any additional information required by the governing statute of any constituent

2539 entity.

2540 (3) Each limited cooperative association that is a party to a merger shall deliver the  
2541 articles of merger to the division for filing.

2542 (4) A merger becomes effective under this part:

2543 (a) if the surviving entity is a limited cooperative association, upon the later of:

2544 (i) compliance with Subsection (3); or

2545 (ii) subject to Subsection 16-16-203(3), as specified in the articles of merger; or

2546 (b) if the surviving entity is not a limited cooperative association, as provided by the  
2547 governing statute of the surviving entity.

2548 Section 145. Section **16-16-1610** is enacted to read:

2549 **16-16-1610. Effect of merger.**

2550 (1) When a merger becomes effective:

2551 (a) the surviving entity continues or comes into existence;

2552 (b) each constituent entity that merges into the surviving entity ceases to exist as a  
2553 separate entity;

2554 (c) all property owned by each constituent entity that ceases to exist vests in the  
2555 surviving entity;

2556 (d) all debts, liabilities, and other obligations of each constituent entity that ceases to  
2557 exist continue as obligations of the surviving entity;

2558 (e) an action or proceeding pending by or against any constituent entity that ceases to  
2559 exist may be continued as if the merger had not occurred;

2560 (f) except as prohibited by law other than this chapter, all rights, privileges,  
2561 immunities, powers, and purposes of each constituent entity that ceases to exist vest in the  
2562 surviving entity;

2563 (g) except as otherwise provided in the plan of merger, the terms and conditions of the  
2564 plan take effect;

2565 (h) except as otherwise provided in the plan of merger, if a merging limited  
2566 cooperative association ceases to exist, the merger does not dissolve the association for  
2567 purposes of Part 12, Dissolution;

2568 (i) if the surviving entity is created by the merger and:

2569 (i) is a limited cooperative association, the articles of organization become effective; or

2570 (ii) is an entity other than a limited cooperative association, the organizational  
2571 document that creates the entity becomes effective; and  
2572 (j) if the surviving entity is not created by the merger, any amendments made by the  
2573 articles of merger for the organizational documents of the surviving entity become effective.  
2574 (2) A surviving entity that is an entity organized under the laws of a jurisdiction other  
2575 than this state consents to the jurisdiction of the courts of this state to enforce any obligation  
2576 owed by the constituent entity if, before the merger, the constituent entity was subject to suit in  
2577 this state on the obligation. A surviving entity that is an entity organized under the laws of a  
2578 jurisdiction other than this state and not authorized to transact business in this state appoints  
2579 the division as its agent for service of process for purposes of enforcing an obligation under  
2580 this Subsection (2). Service on the division under this Subsection (2) is made in the same  
2581 manner and with the same consequences as in Subsections 16-16-120(3) and (4).

2582 Section 146. Section **16-16-1611** is enacted to read:

2583 **16-16-1611. Consolidation.**

2584 (1) Constituent entities that are limited cooperative associations or foreign cooperatives  
2585 may agree to call a merger a consolidation under this part.

2586 (2) All provisions governing mergers or using the term merger in this chapter apply  
2587 equally to mergers that the constituent entities choose to call consolidations under Subsection  
2588 (1).

2589 Section 147. Section **16-16-1612** is enacted to read:

2590 **16-16-1612. Part not exclusive.**

2591 This part does not prohibit a limited cooperative association from being converted or  
2592 merged under law other than this chapter.

2593 Section 148. Section **16-16-1701** is enacted to read:

2594 **Part 17. Miscellaneous Provisions**

2595 **16-16-1701. Uniformity of application and construction.**

2596 In applying and construing this uniform act, consideration must be given to the need to  
2597 promote uniformity of the law with respect to its subject matter among states that enact it.

2598 Section 149. Section **16-16-1702** is enacted to read:

2599 **16-16-1702. Relation to Electronic Signatures in Global and National Commerce**  
2600 **Act.**

2601           This chapter modifies, limits, or supersedes the federal Electronic Signatures in Global  
2602 and National Commerce Act, 15 U.S.C. Sec. 7001 et seq., but does not modify, limit, or  
2603 supersede Section 101(c) of that act, 15 U.S.C. Sec. 7001(c) or authorize electronic delivery of  
2604 any of the notices described in Section 103(b) of that act, 15 U.S.C. Sec. 7003(b).

2605           Section 150. Section **16-16-1703** is enacted to read:

2606           **16-16-1703. Savings clause.**

2607           This chapter does not affect an action or proceeding commenced, or right accrued,  
2608 before May 5, 2008.

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**Legislative Review Note**  
as of 1-16-08 10:04 AM

**Office of Legislative Research and General Counsel**

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**S.B. 69 - Uniform Limited Cooperative Association Act**

**Fiscal Note**

2008 General Session

State of Utah

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**State Impact**

Enactment of this bill will generate approximately \$3,700 in Commerce Service Fund revenue for FY 2009. It will also require an appropriation of \$4,500 from the Commerce Service Fund. The net impact will reduce General Fund revenue \$800 in FY 2009. The Commerce Service Fund will generate \$700 per year in revenue from this type of public entity that will accrue to the General Fund beginning in FY 2010.

	<u>FY 2008</u> <u>Approp.</u>	<u>FY 2009</u> <u>Approp.</u>	<u>FY 2010</u> <u>Approp.</u>	<u>FY 2008</u> <u>Revenue</u>	<u>FY 2009</u> <u>Revenue</u>	<u>FY 2010</u> <u>Revenue</u>
General Fund, One-Time	\$0	\$0	\$0	\$0	(\$800)	\$700
Commerce Service Fund	\$0	\$0	\$0	\$0	\$3,700	\$0
Commerce Service, One-time	\$0	\$4,500	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$0</b>	<b>\$4,500</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,900</b>	<b>\$700</b>

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**Individual, Business and/or Local Impact**

Enactment of this bill likely will not result in direct, measurable costs and/or benefits for local governments. Businesses and individuals may benefit from the ability to file under a different form of public entity when filing for a license.