

Second Regular Session
Seventy-fifth General Assembly
STATE OF COLORADO

INTRODUCED

LLS NO. 26-0130.01 Sarah Lozano x3858

SENATE BILL 26-133

SENATE SPONSORSHIP

Bridges and Catlin,

HOUSE SPONSORSHIP

Martinez and Taggart,

Senate Committees

Business, Labor, & Technology

House Committees

A BILL FOR AN ACT

101 CONCERNING THE AUTHORIZATION TO ESTABLISH AN ARTIST COMPANY
102 IN THE STATE, AND, IN CONNECTION THEREWITH, ENACTING THE
103 "COLORADO ARTIST COMPANY ACT".

Bill Summary

(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov>.)

The bill creates the "Colorado Artist Company Act", which authorizes a person in the state to create a limited liability company with a stated artistic mission (artist company), which artist company is subject to state law applicable to limited liability companies except where specified in the bill.

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.
Capital letters or bold & italic numbers indicate new material to be added to existing law.
Dashes through the words or numbers indicate deletions from existing law.

An artist company must state its artistic mission in its articles of organization or operating agreement and be formed and owned by one or more individuals that create works of authorship or artistic expression comprising written, oral, visual, graphic, literary, musical, audiovisual, digital, or performing art in any medium (artists). Artists must own not less than 51% of all voting securities of the artist company at all times (required ownership percentage).

A limited liability company that is not an artist company but that meets the required ownership percentage may convert to an artist company by amending its articles of organization or its operating agreement to state its artistic mission and by complying with certain other requirements.

A person may form an artist company by filing with the Colorado secretary of state articles of organization or long-form articles. The Colorado secretary of state is required to prescribe the form of the long-form articles and make the form publicly available on or before July 1, 2027. The long-form articles must include check-box or fill-in-the-blank provisions allowing the election of certain ownership, governance, artistic work distribution, tax treatment, and dissolution structures.

An artist company may accept capital in any form and its members and managers have certain duties specified in the artist company's articles of organization or operating agreement along with the duties imposed by state law applicable to limited liability companies.

Members of an artist company may assign or exclusively license intellectual property to an artist company as an in-kind capital contribution. An artist company's articles of organization or operating agreement may require artist-members to assign or exclusively license to the artist company artistic work created during membership that relates to the artistic mission of the artist company. An artist company's articles of organization or operating agreement may provide for certain procedures and terms regarding the admission and departure of members.

An artist company may elect at formation, or at the time of conversion for a limited liability company, to be a public benefit artist company (public benefit artist company) by stating in its articles of organization and operating agreement, if any, that it is a public benefit artist company and setting forth in its articles of organization and operating agreement, if any, one or more specific public benefits to be promoted by the artist company. The members and managers of a public benefit artist company are subject to certain additional duties. A public benefit artist company must provide its members and donors with an annual statement specifying certain information as to the public benefits and artistic mission of the public benefit artist company.

Upon the dissolution of an artist company or public benefit artist company, artistic work assigned or licensed by artist-members to the artist

1 SECTION 7-80-1203 (1).

2 (4) "ARTISTIC MISSION" MEANS A SPECIFIC CREATIVE OR ARTISTIC
3 OR EDUCATIONAL PURPOSE, INCLUDING THE CREATION, DEVELOPMENT,
4 PRODUCTION, DISTRIBUTION, EXHIBITION, OR PERFORMANCE OF CREATIVE
5 OR ARTISTIC WORKS, OR OPERATIONS CONDUCTED IN FURTHERANCE OF
6 THE ARTS AND CULTURAL CONTRIBUTIONS.

7 (5) "ARTISTIC WORK" MEANS CREATIVE OR ARTISTIC WORKS,
8 PROJECTS, OR ACTIVITIES CREATED, DEVELOPED, PRODUCED, DISTRIBUTED,
9 EXHIBITED, OR PERFORMED PURSUANT TO, OR IN FURTHERANCE OF, AN
10 ARTISTIC MISSION.

11 (6) "GOVERNING BODY" MEANS THE MEMBERS, MANAGER, OR
12 BOARD OF MANAGERS RESPONSIBLE FOR THE MANAGEMENT AND
13 GOVERNANCE OF AN ARTIST COMPANY, AS SPECIFIED IN THE ARTIST
14 COMPANY'S ARTICLES OF ORGANIZATION OR OPERATING AGREEMENT.

15 (7) "LONG-FORM ARTICLES" MEANS THE LONG FORM OF ARTICLES
16 OF ORGANIZATION PRESCRIBED BY THE SECRETARY OF STATE PURSUANT
17 TO SECTION 7-80-1206 (3).

18 (8) "PUBLIC BENEFIT" MEANS A POSITIVE EFFECT OR REDUCTION OF
19 NEGATIVE EFFECTS ON ONE OR MORE CATEGORIES OF PERSONS,
20 COMMUNITIES, OR INTERESTS OTHER THAN MEMBERS IN THEIR CAPACITIES
21 AS MEMBERS, INCLUDING EFFECTS OF AN ARTISTIC, CHARITABLE,
22 CULTURAL, EDUCATIONAL, LITERARY, OR TECHNOLOGICAL NATURE.

23 (9) "PUBLIC BENEFIT ARTIST COMPANY" MEANS AN ARTIST
24 COMPANY THAT HAS ELECTED TO BE SUBJECT TO SECTIONS 7-80-1215 TO
25 7-80-1217.

26 **7-80-1203. Artist company - requirements.**

27 (1) AN ARTIST COMPANY IS A LIMITED LIABILITY COMPANY THAT:

- 1 (a) IS ORGANIZED UNDER THIS PART 12;
- 2 (b) HAS A STATED ARTISTIC MISSION SET FORTH IN ITS ARTICLES OF
- 3 ORGANIZATION OR OPERATING AGREEMENT; AND
- 4 (c) IS FORMED AND OWNED BY ONE OR MORE ARTISTS WHO, AT THE
- 5 TIME OF THE ARTIST COMPANY'S FORMATION OR CONVERSION, OWN NOT
- 6 LESS THAN FIFTY-ONE PERCENT OF ALL VOTING SECURITIES OF THE ARTIST
- 7 COMPANY. ARTISTS MUST AT ALL TIMES MAINTAIN AN OWNERSHIP
- 8 PERCENTAGE OF NOT LESS THAN FIFTY-ONE PERCENT OF ALL VOTING
- 9 SECURITIES OF THE ARTIST COMPANY.

10 (2) AN ARTIST COMPANY MAY BE ORGANIZED FOR ANY LAWFUL

11 PURPOSE PERMITTED FOR LIMITED LIABILITY COMPANIES UNDER THIS

12 ARTICLE 80 IF THE PURPOSE INCLUDES OR MATERIALLY FURTHERS THE

13 ARTISTIC MISSION.

14 (3) AN ARTIST COMPANY MAY SPECIFY IN ITS ARTICLES OF

15 ORGANIZATION OR OPERATING AGREEMENT:

16 (a) THAT THE ARTISTIC MISSION HAS PRIMACY OVER FINANCIAL

17 OBJECTIVES;

18 (b) THAT THE ARTISTIC MISSION AND FINANCIAL OBJECTIVES ARE

19 OF EQUAL PRIORITY; OR

20 (c) ANY OTHER PRIORITY OR BALANCING BETWEEN THE ARTISTIC

21 MISSION AND FINANCIAL OBJECTIVES.

22 **7-80-1204. Conversion to artist company.**

23 (1) A LIMITED LIABILITY COMPANY THAT IS NOT AN ARTIST

24 COMPANY MAY CONVERT TO AN ARTIST COMPANY BY COMPLYING WITH

25 THIS SECTION. TO CONVERT TO AN ARTIST COMPANY, A LIMITED LIABILITY

26 COMPANY SHALL:

27 (a) AMEND ITS ARTICLES OF ORGANIZATION TO:

1 (I) STATE THE ARTISTIC MISSION OF THE LIMITED LIABILITY
2 COMPANY;

3 (II) STATE THAT THE LIMITED LIABILITY COMPANY ELECTS TO BE
4 GOVERNED BY THIS PART 12 AS AN ARTIST COMPANY; AND

5 (III) INCLUDE ANY OTHER PROVISIONS REQUIRED BY SECTIONS
6 7-80-1203, 7-80-1206 (1), 7-80-1206 (3) IF LONG-FORM ARTICLES ARE
7 USED, AND 7-80-1206 (5) IF THE ARTIST COMPANY WILL BE A PUBLIC
8 BENEFIT ARTIST COMPANY;

9 (b) ENSURE THAT, AT THE TIME OF CONVERSION, ONE OR MORE
10 ARTISTS OWN NOT LESS THAN FIFTY-ONE PERCENT OF THE VOTING
11 SECURITIES OF THE ENTITY;

12 (c) OBTAIN APPROVAL FOR THE CONVERSION BY THE VOTE OR
13 CONSENT REQUIRED TO AMEND THE ARTICLES OF ORGANIZATION
14 PURSUANT TO THE LIMITED LIABILITY COMPANY'S OPERATING AGREEMENT
15 OR, IF THE OPERATING AGREEMENT DOES NOT SPECIFY THE VOTE OR
16 CONSENT REQUIRED, BY THE UNANIMOUS CONSENT OF ALL MEMBERS; AND

17 (d) FILE THE AMENDED ARTICLES OF ORGANIZATION WITH THE
18 SECRETARY OF STATE IN ACCORDANCE WITH SECTION 7-90-301.

19 (2) UPON THE FILING OF AMENDED ARTICLES OF ORGANIZATION
20 PURSUANT TO SUBSECTION (1)(d) OF THIS SECTION:

21 (a) THE LIMITED LIABILITY COMPANY CONTINUES TO BE THE SAME
22 ENTITY THAT EXISTED BEFORE THE CONVERSION;

23 (b) ALL RIGHTS, TITLE, AND INTERESTS TO ALL REAL PROPERTY
24 AND OTHER PROPERTY OWNED BY THE LIMITED LIABILITY COMPANY
25 REMAIN VESTED IN THE ARTIST COMPANY;

26 (c) ALL LIABILITIES AND OBLIGATIONS OF THE LIMITED LIABILITY
27 COMPANY REMAIN LIABILITIES AND OBLIGATIONS OF THE ARTIST

1 COMPANY;

2 (d) ALL RIGHTS OF CREDITORS AND ALL LIENS UPON ANY PROPERTY
3 OF THE LIMITED LIABILITY COMPANY ARE PRESERVED UNIMPAIRED;

4 (e) ANY ACTION OR PROCEEDING PENDING AGAINST THE LIMITED
5 LIABILITY COMPANY MAY BE CONTINUED AGAINST THE ARTIST COMPANY
6 AS IF THE CONVERSION HAD NOT OCCURRED; AND

7 (f) THE ARTIST COMPANY IS SUBJECT TO THIS PART 12.

8 (3) A CONVERSION CONDUCTED PURSUANT TO THIS SECTION DOES
9 NOT CONSTITUTE A DISSOLUTION, TERMINATION, OR TRANSFER OF ASSETS
10 OF THE LIMITED LIABILITY COMPANY.

11 (4) (a) THE CONVERSION OF A LIMITED LIABILITY COMPANY TO AN
12 ARTIST COMPANY PURSUANT TO THIS SECTION DOES NOT AFFECT A
13 MEMBER'S LIABILITY FOR OBLIGATIONS OF THE LIMITED LIABILITY
14 COMPANY INCURRED PRIOR TO THE CONVERSION BECOMING EFFECTIVE.

15 (b) UNLESS OTHERWISE AGREED TO BY THE MEMBERS,
16 CONVERSION TO AN ARTIST COMPANY DOES NOT AFFECT A MEMBER'S
17 EXISTING RIGHTS UNDER THE OPERATING AGREEMENT OF THE LIMITED
18 LIABILITY COMPANY, EXCEPT TO THE EXTENT THE RIGHTS ARE UNDER AN
19 OPERATING AGREEMENT ENTERED INTO ON OR AFTER THE EFFECTIVE DATE
20 OF THIS PART 12 AND ARE INCONSISTENT WITH THE REQUIREMENTS OF THIS
21 PART 12.

22 **7-80-1205. Application of article 80.**

23 (1) EXCEPT AS OTHERWISE PROVIDED IN THIS PART 12, THE
24 PROVISIONS OF THIS ARTICLE 80 THAT ARE APPLICABLE TO LIMITED
25 LIABILITY COMPANIES APPLY TO ARTIST COMPANIES.

26 (2) IN THE EVENT OF A CONFLICT BETWEEN THIS PART 12 AND
27 OTHER PROVISIONS OF THIS ARTICLE 80, THIS PART 12 CONTROLS.

1 (3) NOTWITHSTANDING SECTION 7-80-108 OR ANOTHER PROVISION
2 OF THIS ARTICLE 80, THE REQUIREMENTS IMPOSED BY SECTIONS 7-80-1203
3 (1)(c) AND 7-80-1214 (2) SHALL NOT BE ALTERED IN AN OPERATING
4 AGREEMENT. ALL OTHER PROVISIONS OF THIS PART 12 MAY BE MODIFIED
5 BY THE OPERATING AGREEMENT TO THE EXTENT PERMITTED BY SECTION
6 7-80-108 AND THIS PART 12.

7 **7-80-1206. Formation of artist company - long-form articles**
8 **- public benefit artist company requirements.**

9 (1) A PERSON MAY FORM AN ARTIST COMPANY BY FILING ARTICLES
10 OF ORGANIZATION OR LONG-FORM ARTICLES WITH THE SECRETARY OF
11 STATE PURSUANT TO SECTION 7-90-301 THAT MEET THE REQUIREMENTS
12 SET FORTH IN SECTIONS 7-80-204 AND 7-80-1203, SUBSECTION (3) OF THIS
13 SECTION IF LONG-FORM ARTICLES ARE USED, AND SUBSECTION (5) OF THIS
14 SECTION IF THE ARTIST COMPANY WILL BE A PUBLIC BENEFIT ARTIST
15 COMPANY.

16 (2) IF LONG-FORM ARTICLES ARE FILED AND AN OPERATING
17 AGREEMENT IS NOT ADOPTED, THE ELECTIONS MADE IN THE LONG-FORM
18 ARTICLES GOVERN THE ARTIST COMPANY.

19 (3) ON OR BEFORE JULY 1, 2027, THE SECRETARY OF STATE SHALL
20 PRESCRIBE AND MAKE PUBLICLY AVAILABLE A FORM OF LONG-FORM
21 ARTICLES OF ORGANIZATION FOR AN ARTIST COMPANY THAT INCLUDES, IN
22 ADDITION TO THE INFORMATION REQUIRED BY SECTION 7-80-204:

23 (a) A STATEMENT OF THE ARTISTIC MISSION OF THE ARTIST
24 COMPANY;

25 (b) A STATEMENT REGARDING THE PRIORITY OF THE ARTISTIC
26 MISSION AND FINANCIAL OBJECTIVES AS PROVIDED IN SECTION 7-80-1203

27 (3);

1 (c) A STATEMENT AS TO WHETHER THE ARTIST COMPANY ELECTS
2 TO BE A PUBLIC BENEFIT ARTIST COMPANY SUBJECT TO SECTIONS
3 7-80-1215 TO 7-80-1217 AND, IF SUCH ELECTION IS MADE, ONE OR MORE
4 SPECIFIC PUBLIC BENEFITS TO BE PROMOTED BY THE ARTIST COMPANY;

5 (d) CHECK-BOX OR FILL-IN-THE-BLANK PROVISIONS ALLOWING THE
6 INCORPORATORS TO ELECT:

7 (I) THE STRUCTURE OF EQUITY OWNERSHIP FROM THE OPTIONS
8 PROVIDED IN SECTION 7-80-1207;

9 (II) THE STRUCTURE OF THE GOVERNING BODY FROM THE OPTIONS
10 PROVIDED IN SECTION 7-80-1208;

11 (III) WHETHER FIDUCIARY DUTIES APPLY AS PROVIDED IN SECTION
12 7-80-1211;

13 (IV) WHICH EXISTING ARTISTIC WORK SHOULD BE ASSIGNED OR
14 EXCLUSIVELY LICENSED TO THE ARTIST COMPANY AS PROVIDED IN
15 SECTION 7-80-1212;

16 (V) WHETHER ARTISTIC WORK CREATED BY MEMBERS DURING
17 THEIR MEMBERSHIP IS ASSIGNED OR EXCLUSIVELY LICENSED TO THE
18 ARTIST COMPANY AS PROVIDED IN SECTION 7-80-1213 (1);

19 (VI) THE TAX TREATMENT OF THE ARTIST COMPANY AS PROVIDED
20 IN SECTION 7-80-1219;

21 (VII) WHETHER DISTRIBUTIONS ARE MADE BASED ON OWNERSHIP
22 PERCENTAGES OR ALTERNATIVE MECHANISMS, WITH SPACE TO DESCRIBE
23 SUCH ALTERNATIVE MECHANISMS;

24 (VIII) BASIC PROVISIONS REGARDING TERMINATION OF A
25 MEMBER'S MEMBERSHIP INTEREST UPON WITHDRAWAL FROM THE ARTIST
26 COMPANY, ADMISSION OF NEW MEMBERS, AND RIGHTS TO ARTISTIC WORK
27 UPON MEMBER WITHDRAWAL AND TERMINATION OF MEMBERSHIP

1 INTEREST; AND

2 (IX) WHETHER CERTAIN DECISIONS REQUIRE ARTIST
3 SUPERMAJORITY OR UNANIMOUS APPROVAL;

4 (e) IF THE ELECTION IS MADE UNDER SUBSECTION (3)(d)(V) OF THIS
5 SECTION, A NARRATIVE DESCRIPTION OF THE ARTISTIC WORK TO BE
6 CREATED BY THE ARTIST COMPANY TO SET FORTH THE SCOPE OF ARTISTIC
7 WORK SUBJECT TO THE ASSIGNMENT OR EXCLUSIVE LICENSE;

8 (f) A PROVISION ALLOWING THE INCORPORATORS TO ELECT
9 WHETHER SELECTED TERMS IN THE LONG-FORM ARTICLES MAY BE
10 SUPERSEDED BY A SUBSEQUENTLY ADOPTED OPERATING AGREEMENT:

11 (I) WITHOUT AMENDMENT TO THE LONG-FORM ARTICLES; OR

12 (II) ONLY WITH CONCURRENT AMENDMENT TO THE LONG-FORM
13 ARTICLES; AND

14 (g) OTHER PROVISIONS CONSISTENT WITH LAW AS THE
15 INCORPORATORS ELECT TO INCLUDE.

16 (4) THE LONG-FORM ARTICLES MAY BE AMENDED IN THE SAME
17 MANNER AS ARTICLES OF ORGANIZATION UNDER SECTION 7-80-209.

18 (5) IF AN ARTIST COMPANY ELECTS TO BECOME A PUBLIC BENEFIT
19 ARTIST COMPANY PURSUANT TO SECTION 7-80-1215, THE ARTIST
20 COMPANY SHALL STATE IN THE HEADING OF ITS ARTICLES OF
21 ORGANIZATION THAT IT IS A "PUBLIC BENEFIT ARTIST COMPANY". A
22 CERTIFICATE OF MEMBERSHIP INTEREST OR OTHER SECURITY ISSUED BY A
23 PUBLIC BENEFIT ARTIST COMPANY MUST NOTE CONSPICUOUSLY THAT THE
24 PUBLIC BENEFIT ARTIST COMPANY IS A PUBLIC BENEFIT ARTIST COMPANY
25 FORMED PURSUANT TO THIS PART 12.

26 (6) AN ARTIST COMPANY'S NAME MAY CONTAIN THE WORDS
27 "ARTIST COMPANY" OR THE ABBREVIATIONS "ALLC", "A CORP", "AC", OR

1 "A.C." IN LIEU OF OR IN ADDITION TO ANY TERM OR ABBREVIATION
2 OTHERWISE PERMITTED BY SECTION 7-90-601 (3)(c).

3 **7-80-1207. Ownership of equity.**

4 (1) SUBJECT TO THE REQUIREMENTS SET FORTH IN SECTION
5 7-80-1203 (1)(c), AN ARTIST COMPANY HAS THE SAME OPTIONS WITH
6 RESPECT TO EQUITY OWNERSHIP PROVIDED TO LIMITED LIABILITY
7 COMPANIES GENERALLY UNDER THIS ARTICLE 80.

8 (2) THE INCORPORATORS OF AN ARTIST COMPANY MAY ELECT IN
9 THE ARTICLES OF ORGANIZATION OR LONG-FORM ARTICLES ONE OF THE
10 FOLLOWING STRUCTURES FOR EQUITY OWNERSHIP:

11 (a) OWNERSHIP BASED ON THE SALE OF UNITS, INCLUDING
12 FRACTIONAL UNITS;

13 (b) PRO RATA OWNERSHIP BASED ON THE NUMBER OF MEMBERS;

14 (c) PRO RATA OWNERSHIP BASED ON CAPITAL CONTRIBUTIONS,
15 INCLUDING IN-KIND CONTRIBUTIONS OF CASH, PROPERTY, ARTISTIC WORK,
16 ROYALTY SHARING, REVENUE PARTICIPATION RIGHTS, OR OTHER
17 INTANGIBLE ASSETS; OR

18 (d) FIXED OWNERSHIP PERCENTAGES BY INDIVIDUAL MEMBER AS
19 SPECIFIED IN THE LONG-FORM ARTICLES.

20 (3) UNLESS OTHERWISE SPECIFIED IN AN OPERATING AGREEMENT,
21 ALLOCATIONS AND DISTRIBUTIONS MUST BE MADE BASED ON OWNERSHIP
22 PERCENTAGES; EXCEPT THAT THE OPERATING AGREEMENT MAY ESTABLISH
23 ALTERNATIVE ALLOCATION OR DISTRIBUTION MECHANISMS, INCLUDING
24 ALLOCATIONS OR DISTRIBUTIONS BASED ON REVENUE PARTICIPATION,
25 ROYALTY SHARING, RECOUPMENT WATERFALLS, OR OTHER CRITERIA
26 INDEPENDENT OF OWNERSHIP PERCENTAGES.

27 **7-80-1208. Governing body.**

1 (1) AN ARTIST COMPANY HAS THE SAME GOVERNANCE OPTIONS
2 PROVIDED TO LIMITED LIABILITY COMPANIES GENERALLY UNDER THIS
3 ARTICLE 80.

4 (2) THE INCORPORATORS OF AN ARTIST COMPANY MAY ELECT IN
5 THE ARTICLES OF ORGANIZATION OR LONG-FORM ARTICLES ONE OF THE
6 FOLLOWING GOVERNANCE STRUCTURES:

7 (a) GOVERNANCE BY MEMBERS, WITH VOTING BASED ON
8 OWNERSHIP PERCENTAGES;

9 (b) GOVERNANCE BY A SINGLE MANAGER, WITH THE MANAGER
10 ELECTED BY MEMBERS; OR

11 (c) GOVERNANCE BY A BOARD OF MANAGERS, WITH MANAGERS
12 ELECTED BY MEMBERS.

13 (3) MORE COMPLEX GOVERNANCE STRUCTURES, INCLUDING
14 SEPARATE VOTING FOR ARTISTIC DECISIONS VERSUS BUSINESS DECISIONS,
15 MAY BE SPECIFIED IN AN OPERATING AGREEMENT.

16 **7-80-1209. Governance principles.**

17 (1) UNLESS OTHERWISE PROVIDED IN THE ARTICLES OF
18 ORGANIZATION OR OPERATING AGREEMENT OF AN ARTIST COMPANY:

19 (a) A QUORUM FOR A MEETING OF MEMBERS OR MANAGERS
20 CONSISTS OF A MAJORITY OF THE VOTING INTERESTS OR MANAGERS, AS
21 APPLICABLE, ENTITLED TO VOTE AT THE MEETING;

22 (b) EXCEPT AS PROVIDED IN SUBSECTION (1)(c) OF THIS SECTION,
23 AN ACT OF THE MEMBERS OR MANAGERS REQUIRES APPROVAL BY A
24 MAJORITY OF THOSE PRESENT AT A MEETING AT WHICH A QUORUM IS
25 PRESENT; EXCEPT THAT THE FOLLOWING ACTIONS REQUIRE APPROVAL BY
26 A MAJORITY OF ALL VOTING INTERESTS OF THE MEMBERS:

27 (I) AMENDMENT OF THE ARTICLES OF ORGANIZATION;

- 1 (II) ADOPTION OR AMENDMENT OF AN OPERATING AGREEMENT;
- 2 (III) MERGER, CONSOLIDATION, CONVERSION, CHANGE OF
- 3 CONTROL, OR OTHER BUSINESS COMBINATION TRANSACTION;
- 4 (IV) DISSOLUTION OF THE ARTIST COMPANY;
- 5 (V) ELECTION TO BECOME OR CEASE TO BE A PUBLIC BENEFIT
- 6 ARTIST COMPANY;
- 7 (VI) AN ACTION THAT WOULD REDUCE ARTIST-MEMBER
- 8 OWNERSHIP BELOW THE REQUIRED PERCENTAGE SET FORTH IN SECTION
- 9 7-80-1203 (1)(c); AND
- 10 (VII) OTHER MATTERS AS MAY BE SPECIFIED IN THE ARTICLES OF
- 11 ORGANIZATION OR OPERATING AGREEMENT; AND

12 (c) THE FOLLOWING ACTIONS REQUIRE APPROVAL BY A MAJORITY
13 OF ALL VOTING INTERESTS OF ARTIST-MEMBERS, EVEN IF THE ACTION IS
14 EFFECTUATED BY AN AMENDMENT TO THE ARTICLES OF ORGANIZATION OR
15 OPERATING AGREEMENT:

16 (I) AN ACTION MATERIALLY AFFECTING THE OWNERSHIP,
17 LICENSING, TRANSFER, OR REVERSIONARY RIGHTS OF ARTISTIC WORK OF
18 THE ARTIST COMPANY OR ARTIST-MEMBERS;

19 (II) CHANGING THE DEFINITION OR SCOPE OF "PUBLIC BENEFIT"
20 UNDER THE ARTICLES OF ORGANIZATION OR OPERATING AGREEMENT OF A
21 PUBLIC BENEFIT ARTIST COMPANY;

22 (III) ELECTING TO BECOME OR CEASING TO BE A PUBLIC BENEFIT
23 ARTIST COMPANY;

24 (IV) CONVERTING THE ARTIST COMPANY INTO AN ENTITY OTHER
25 THAN AN ARTIST COMPANY;

26 (V) MODIFYING THE GOVERNING CONTROL OF THE ARTIST
27 COMPANY, INCLUDING WITH RESPECT TO MANAGEMENT STRUCTURE,

1 VOTING RIGHTS, OR DECISION-MAKING AUTHORITY; AND

2 (VI) APPROVING THE ANNUAL OPERATING BUDGET OF THE ARTIST
3 COMPANY.

4 (2) THE FOLLOWING IS NOT INDIVIDUALLY AN INDICATION OF LACK
5 OF GOOD GOVERNANCE, GROUNDS FOR PIERCING THE LIMITED LIABILITY
6 VEIL, OR EVIDENCE OF IMPROPER CORPORATE FORMALITIES:

7 (a) FAILURE TO PREPARE WRITTEN MINUTES OF MEETINGS OF THE
8 GOVERNING BODY IF THERE IS ADEQUATE WRITTEN EVIDENCE OF FORMAL
9 APPROVALS TAKEN BY THE GOVERNING BODY;

10 (b) FAILURE TO HOLD ANNUAL MEETINGS OF MEMBERS OF AN
11 ARTIST COMPANY; OR

12 (c) FAILURE OF AN ARTIST COMPANY TO OBSERVE OTHER
13 FORMALITIES CUSTOMARILY ASSOCIATED WITH COLORADO LIMITED
14 LIABILITY COMPANIES OR OTHER ENTITY FORMS.

15 **7-80-1210. Acceptance of capital.**

16 (1) AN ARTIST COMPANY MAY ACCEPT CAPITAL IN ANY FORM,
17 INCLUDING:

18 (a) GRANTS;

19 (b) REFUNDABLE GRANTS;

20 (c) FIRST LOSS CAPITAL;

21 (d) PROGRAM-RELATED INVESTMENTS;

22 (e) MISSION-RELATED INVESTMENTS;

23 (f) A FINANCIAL AGREEMENT FOR IMPACT RETURNS INVESTMENTS;

24 (g) DEBT INSTRUMENTS;

25 (h) EQUITY INVESTMENTS;

26 (i) CONVERTIBLE INVESTMENT INSTRUMENTS;

27 (j) FINANCIAL INSTRUMENTS, INCLUDING REVENUE, CASH FLOW,

1 AND PROFIT PARTICIPATION RIGHTS;

2 (k) ROYALTY SHARING RIGHTS; AND

3 (l) IN-KIND CONTRIBUTIONS, INCLUDING INTELLECTUAL PROPERTY
4 SUCH AS ARTISTIC WORK.

5 (2) IF AND TO THE EXTENT THAT A DONOR, WITH RESPECT TO
6 GRANTS OR REFUNDABLE GRANTS, IS REQUIRED TO EXERCISE EXPENDITURE
7 RESPONSIBILITY, THE DONOR IS ENTITLED TO THE STATEMENTS PREPARED
8 FOR MEMBERS AS SET FORTH IN SECTION 7-80-1217.

9 (3) IF AND TO THE EXTENT THAT A DONOR REQUESTS THAT
10 DONATIONS BE TAX DEDUCTIBLE, UNLESS AND UNTIL THE FEDERAL
11 INTERNAL REVENUE SERVICE PROVIDES THAT ARTIST COMPANIES ARE
12 ENTITLED TO STATUS AS TAX EXEMPT ORGANIZATIONS, DONATIONS TO AN
13 ARTIST COMPANY MAY BE MADE THROUGH A SEPARATE TAX EXEMPT
14 ORGANIZATION.

15 **7-80-1211. Fiduciary duties.**

16 (1) EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION, THE DUTIES
17 OF MEMBERS AND MANAGERS OF AN ARTIST COMPANY ARE GOVERNED BY
18 SECTION 7-80-404.

19 (2) IN ADDITION TO THE DUTIES SPECIFIED IN SECTION 7-80-404,
20 THE ARTICLES OF ORGANIZATION OR OPERATING AGREEMENT OF AN ARTIST
21 COMPANY MAY SPECIFY DUTIES OF MEMBERS OR MANAGERS WITH RESPECT
22 TO THE ARTISTIC MISSION OF THE ARTIST COMPANY, INCLUDING DUTIES TO:

23 (a) PRESERVE AND PROMOTE THE ARTISTIC MISSION OF THE ARTIST
24 COMPANY;

25 (b) BALANCE THE ARTISTIC MISSION WITH THE FINANCIAL
26 INTERESTS OF THE ARTIST COMPANY AND THE PECUNIARY INTERESTS OF
27 THE MEMBERS; OR

1 (c) CONSULT WITH OR OBTAIN APPROVAL FROM ARTIST-MEMBERS
2 ON DECISIONS MATERIALLY AFFECTING THE ARTISTIC DIRECTION OR
3 CREATIVE OUTPUT OF THE ARTIST COMPANY.

4 (3) THE DUTIES SPECIFIED IN SUBSECTIONS (1) AND (2) OF THIS
5 SECTION MAY BE MODIFIED BY THE ARTICLES OF ORGANIZATION OR
6 OPERATING AGREEMENT OF AN ARTIST COMPANY TO THE EXTENT
7 PERMITTED BY SECTIONS 7-80-108 AND 7-80-204.

8 (4) FOR PUBLIC BENEFIT ARTIST COMPANIES, THE DUTIES OF
9 MEMBERS AND MANAGERS ARE FURTHER SPECIFIED IN SECTION 7-80-1216.

10 (5) THE LONG-FORM ARTICLES MUST INCLUDE CHECK-BOX
11 ELECTIONS ALLOWING INCORPORATORS TO ACCEPT THE DEFAULT DUTIES
12 DESCRIBED UNDER THIS SECTION OR TO MODIFY SPECIFIC DUTIES AS
13 PERMITTED BY SUBSECTION (3) OF THIS SECTION.

14 **7-80-1212. Intellectual property as a capital contribution -**
15 **assignment or exclusive licensing to artist company.**

16 (1) A MEMBER OF AN ARTIST COMPANY MAY ASSIGN OR
17 EXCLUSIVELY LICENSE TO THE ARTIST COMPANY INTELLECTUAL
18 PROPERTY, INCLUDING ARTISTIC WORK OR ANY RIGHT OR RIGHTS RELATED
19 TO THE ARTISTIC WORK, AS IN-KIND CAPITAL CONTRIBUTIONS, INCLUDING
20 AS THE INITIAL CAPITAL CONTRIBUTION OF THE MEMBER TO BECOME A
21 MEMBER OF THE ARTIST COMPANY.

22 (2) THE ARTICLES OF ORGANIZATION OR OPERATING AGREEMENT
23 OF AN ARTIST COMPANY MAY PROVIDE FOR THE VALUATION OF ARTISTIC
24 WORK, OR ANY RIGHT OR RIGHTS RELATED TO THE ARTISTIC WORK,
25 ASSIGNED OR EXCLUSIVELY LICENSED TO THE ARTIST COMPANY PURSUANT
26 TO THIS SECTION. IF, PRIOR TO THE TIME OF ASSIGNMENT OR EXCLUSIVE
27 LICENSING, THE GOVERNING BODY OF THE ARTIST COMPANY AND THE

1 ASSIGNING OR EXCLUSIVE LICENSING MEMBER FAIL TO AGREE ON A
2 VALUATION, THE MEMBER MAY ELECT TO EITHER:

3 (a) DECLINE TO ASSIGN OR EXCLUSIVELY LICENSE THE ARTISTIC
4 WORK, OR ANY RIGHT OR RIGHTS RELATED TO THE ARTISTIC WORK, TO THE
5 ARTIST COMPANY; OR

6 (b) HAVE AN INDEPENDENT PROFESSIONAL VALUATOR MUTUALLY
7 AGREED TO BY THE PARTIES DETERMINE THE VALUATION OF THE ARTISTIC
8 WORK AT THE ARTIST COMPANY'S COST, WHICH DETERMINATION IS FINAL
9 AND BINDING.

10 (3) ANY ASSIGNMENT OR EXCLUSIVE LICENSING OF ARTISTIC WORK
11 TO AN ARTIST COMPANY PURSUANT TO THIS SECTION MAY BE LIMITED IN
12 SCOPE TO INCLUDE ONLY THE ARTISTIC WORK, OR ANY RIGHT OR RIGHTS
13 RELATED TO THE ARTISTIC WORK, REQUIRED FOR THE ARTISTIC MISSION OF
14 THE ARTIST COMPANY.

15 (4) UNLESS OTHERWISE SPECIFIED IN THE ARTICLES OF
16 ORGANIZATION OR OPERATING AGREEMENT OF AN ARTIST COMPANY,
17 ARTISTIC WORK ASSIGNED OR EXCLUSIVELY LICENSED TO THE ARTIST
18 COMPANY PURSUANT TO THIS SECTION IS ASSIGNED OR EXCLUSIVELY
19 LICENSED SUBJECT TO THE REVERSIONARY RIGHTS SET FORTH IN SECTION
20 7-80-1222 (2)(a)(I), WHICH REVERSIONARY RIGHTS CONSTITUTE A
21 RETAINED INTEREST THAT DOES NOT TRANSFER TO THE ARTIST COMPANY
22 AND IS NOT AVAILABLE TO CREDITORS OF THE ARTIST COMPANY.
23 INTELLECTUAL PROPERTY CONTRIBUTED TO THE ARTIST COMPANY THAT
24 DOES NOT CONSTITUTE ARTISTIC WORK IS NOT SUBJECT TO THE
25 REVERSIONARY RIGHTS AND IS AN ASSET OF THE ARTIST COMPANY.

26 **7-80-1213. Artistic work created during membership -**
27 **restriction on transfer.**

1 (1) THE ARTICLES OF ORGANIZATION OR OPERATING AGREEMENT
2 OF AN ARTIST COMPANY MAY REQUIRE ARTIST-MEMBERS TO ASSIGN OR
3 EXCLUSIVELY LICENSE TO THE ARTIST COMPANY ARTISTIC WORK CREATED
4 BY THE ARTIST-MEMBERS DURING MEMBERSHIP THAT RELATES TO THE
5 ARTISTIC MISSION OF THE ARTIST COMPANY. ARTISTIC WORK ASSIGNED OR
6 EXCLUSIVELY LICENSED PURSUANT TO THIS SUBSECTION (1) IS SUBJECT TO
7 THE REVERSIONARY RIGHTS SET FORTH IN SECTION 7-80-1222 (2)(a)(I),
8 WHICH REVERSIONARY RIGHTS CONSTITUTE A RETAINED INTEREST THAT
9 DOES NOT TRANSFER TO THE ARTIST COMPANY AND IS NOT AVAILABLE TO
10 CREDITORS OF THE ARTIST COMPANY. INTELLECTUAL PROPERTY CREATED
11 ON BEHALF OF THE ARTIST COMPANY THAT DOES NOT CONSTITUTE
12 ARTISTIC WORK IS NOT SUBJECT TO THE REVERSIONARY RIGHTS AND IS AN
13 ASSET OF THE ARTIST COMPANY.

14 (2) IF THE ASSIGNMENT OR EXCLUSIVE LICENSING TERMS
15 DESCRIBED IN SUBSECTION (1) OF THIS SECTION ARE INCLUDED IN AN
16 ARTIST COMPANY'S ARTICLES OF ORGANIZATION OR OPERATING
17 AGREEMENT, THE ARTICLES OF ORGANIZATION OR OPERATING AGREEMENT
18 OF THE ARTIST COMPANY MUST ALSO INCLUDE A NARRATIVE DESCRIPTION
19 OF THE ARTISTIC WORK TO BE CREATED BY THE ARTIST COMPANY TO
20 DELINEATE THE SCOPE OF ARTISTIC WORK SUBJECT TO ASSIGNMENT OR
21 EXCLUSIVE LICENSING.

22 (3) AN ARTIST-MEMBER MAY RETAIN SPECIFIED ARTISTIC WORK
23 CREATED BY THE ARTIST-MEMBER DURING THE ARTIST-MEMBER'S
24 MEMBERSHIP BY PROVIDING WRITTEN NOTICE TO THE ARTIST COMPANY
25 DESCRIBING THE ARTISTIC WORK TO BE RETAINED BY THE ARTIST-MEMBER.
26 THE WRITTEN NOTICE MAY BE PROVIDED AT THE TIME THE
27 ARTIST-MEMBER JOINS THE ARTIST COMPANY OR WITHIN THIRTY DAYS

1 AFTER THE GENERATION OF THE ARTISTIC WORK. IF A WRITTEN NOTICE IS
2 PROVIDED, THE ARTIST-MEMBER SHALL GRANT THE ARTIST COMPANY A
3 NONEXCLUSIVE, PERPETUAL, IRREVOCABLE LICENSE TO THE ARTISTIC
4 WORK TO THE EXTENT THAT THE ARTIST-MEMBER USES THE ARTISTIC
5 WORK IN THE ARTIST-MEMBER'S WORK FOR THE ARTIST COMPANY.

6 (4) ALL ARTISTIC WORK ASSIGNED OR EXCLUSIVELY LICENSED TO
7 OR CREATED BY ARTIST-MEMBERS ON BEHALF OF THE ARTIST COMPANY
8 MUST BE OWNED BY EITHER THE ARTIST-MEMBERS OR THE ARTIST
9 COMPANY AND IS SUBJECT TO THE REVERSIONARY RIGHTS DESCRIBED IN
10 SECTION 7-80-1222 (2)(a)(I). THE ARTISTIC WORK SHALL NOT BE
11 TRANSFERRED TO, OWNED BY, ASSIGNED TO, OR EXCLUSIVELY LICENSED
12 TO NONARTIST MEMBERS OR INVESTORS OR OTHER NONARTIST THIRD
13 PARTIES EXCEPT THROUGH LICENSES OR OTHER CONTRACTUAL
14 AGREEMENTS ENTERED INTO WITH UNAFFILIATED THIRD PARTIES IN THE
15 ORDINARY COURSE OF BUSINESS FOR BONA FIDE COMMERCIAL PURPOSES.
16 LICENSES AND CONTRACTUAL AGREEMENTS DESCRIBED IN THIS
17 SUBSECTION (4) ARE SUBJECT TO THE REVERSIONARY RIGHTS DESCRIBED
18 IN SECTION 7-80-1222 (2)(a)(I). THE ARTICLES OF ORGANIZATION OR
19 OPERATING AGREEMENT MAY ADDRESS:

20 (a) TREATMENT OF ARTISTIC WORK UPON AN ARTIST-MEMBER'S
21 DEPARTURE FROM THE ARTIST COMPANY, INCLUDING WHETHER THE
22 ARTISTIC WORK REMAINS WITH THE ARTIST COMPANY OR REVERTS TO THE
23 DEPARTED ARTIST-MEMBER IN SPECIFIED DEPARTURE SCENARIOS;

24 (b) RIGHTS OF DEPARTED ARTIST-MEMBERS TO CONTINUE
25 RECEIVING ROYALTIES OR REVENUES FROM ARTISTIC WORK CREATED
26 DURING THEIR MEMBERSHIP;

27 (c) RIGHTS OF REMAINING ARTIST-MEMBERS TO CONTINUE USING

1 OR EXPLOITING ARTISTIC WORK CREATED JOINTLY WITH DEPARTED
2 ARTIST-MEMBERS;

3 (d) PROCEDURES AND CONSENT REQUIREMENTS FOR ANY SALE OR
4 ASSIGNMENT OF ARTISTIC WORK TO NONARTIST THIRD PARTIES, WHICH
5 MUST INCLUDE THE CONSENT OF THE ARTIST-MEMBER WHO CREATED THE
6 ARTISTIC WORK AND PROVIDE FOR CONSIDERATION TO BE PAID TO THE
7 ARTIST-MEMBER FOR RELINQUISHMENT OF THE ARTIST-MEMBER'S
8 REVERSIONARY RIGHTS IF THE REVERSIONARY RIGHTS ARE TO BE
9 INCLUDED IN THE SALE OR ASSIGNMENT; AND

10 (e) UPON DISSOLUTION OF THE ARTIST COMPANY, REVERSIONARY
11 RIGHTS AS DESCRIBED IN SECTION 7-80-1222 (2)(a)(I).

12 **7-80-1214. Separation of economic rights from governance**
13 **and control.**

14 (1) THE ARTICLES OF ORGANIZATION OR OPERATING AGREEMENT
15 OF AN ARTIST COMPANY MAY PROVIDE FOR THE SEPARATION OF ECONOMIC
16 RIGHTS FROM GOVERNANCE AND CONTROL RIGHTS.

17 (2) ANY GOVERNANCE AND CONTROL RIGHTS MUST AT ALL TIMES
18 REMAIN WITH ARTIST-MEMBERS IN ACCORDANCE WITH SECTION 7-80-1203
19 (1)(c). NONARTIST INVESTORS MAY HOLD ECONOMIC RIGHTS, INCLUDING
20 RIGHTS TO DISTRIBUTIONS, ROYALTIES, REVENUE PARTICIPATION, OR
21 OTHER FINANCIAL RETURNS, WITHOUT CORRESPONDING GOVERNANCE OR
22 CONTROL RIGHTS.

23 (3) AN OPERATING AGREEMENT MAY SPECIFY THE EXTENT AND
24 NATURE OF ECONOMIC RIGHTS HELD BY NONARTIST INVESTORS, INCLUDING
25 PRIORITY OF DISTRIBUTIONS, REVENUE PARTICIPATION ARRANGEMENTS,
26 RECOUPMENT PROVISIONS, AND OTHER FINANCIAL TERMS.

27 **7-80-1215. Public benefit artist company - election.**

1 (1) AN ARTIST COMPANY MAY ELECT AT FORMATION OR AT THE
2 TIME OF CONVERSION TO BE A PUBLIC BENEFIT ARTIST COMPANY BY:

3 (a) STATING IN THE HEADING OF ITS ARTICLES OF ORGANIZATION
4 THAT IT IS A "PUBLIC BENEFIT ARTIST COMPANY";

5 (b) SETTING FORTH IN ITS ARTICLES OF ORGANIZATION AND IN ITS
6 OPERATING AGREEMENT, IF ANY, ONE OR MORE SPECIFIC PUBLIC BENEFITS
7 TO BE PROMOTED BY THE ARTIST COMPANY; AND

8 (c) STATING IN ITS OPERATING AGREEMENT, IF ANY, THAT IT IS A
9 PUBLIC BENEFIT ARTIST COMPANY.

10 (2) AN ARTIST COMPANY THAT IS NOT FORMED AS A PUBLIC
11 BENEFIT ARTIST COMPANY MAY BECOME A PUBLIC BENEFIT ARTIST
12 COMPANY BY:

13 (a) AMENDING ITS ARTICLES OF ORGANIZATION AND OPERATING
14 AGREEMENT TO COMPLY WITH THE REQUIREMENTS OF SUBSECTION (1) OF
15 THIS SECTION; AND

16 (b) OBTAINING APPROVAL OF THE ELECTION BY A MAJORITY OF ALL
17 VOTING INTERESTS OF THE MEMBERS AS REQUIRED BY SECTION 7-80-1209
18 (1)(b)(V) AND THE MAJORITY OF ALL VOTING INTERESTS OF
19 ARTIST-MEMBERS AS REQUIRED BY SECTION 7-80-1209 (1)(c)(III).

20 (3) A PUBLIC BENEFIT ARTIST COMPANY MAY CEASE TO BE A
21 PUBLIC BENEFIT ARTIST COMPANY BY:

22 (a) AMENDING ITS ARTICLES OF ORGANIZATION TO REMOVE THE
23 DESIGNATION AS A PUBLIC BENEFIT ARTIST COMPANY AND THE SPECIFIC
24 PUBLIC BENEFITS; AND

25 (b) OBTAINING APPROVAL OF THE AMENDMENT BY A MAJORITY OF
26 ALL VOTING INTERESTS OF THE MEMBERS AS REQUIRED BY SECTION
27 7-80-1209 (1)(b)(V) AND THE MAJORITY OF ALL VOTING INTERESTS OF

1 ARTIST-MEMBERS AS REQUIRED BY SECTION 7-80-1209 (1)(c)(III).

2 (4) A PUBLIC BENEFIT ARTIST COMPANY THAT ELECTS TO CEASE
3 BEING A PUBLIC BENEFIT ARTIST COMPANY REMAINS SUBJECT TO THIS PART
4 12 AS AN ARTIST COMPANY.

5 (5) IN THE EVENT OF ANY INCONSISTENCY BETWEEN THE PUBLIC
6 BENEFITS TO BE PROMOTED BY A PUBLIC BENEFIT ARTIST COMPANY AS SET
7 FORTH IN ITS OPERATING AGREEMENT AND IN ITS ARTICLES OF
8 ORGANIZATION, THE OPERATING AGREEMENT CONTROLS AMONG THE
9 MEMBERS, THE MANAGERS, AND OTHER PERSONS THAT ARE PARTY TO OR
10 OTHERWISE BOUND BY THE OPERATING AGREEMENT.

11 (6) A MANAGER OF A PUBLIC BENEFIT ARTIST COMPANY, OR, IF
12 THERE IS NO MANAGER, ANY MEMBER OF A PUBLIC BENEFIT ARTIST
13 COMPANY, THAT BECOMES AWARE THAT THE SPECIFIC PUBLIC BENEFITS TO
14 BE PROMOTED BY THE PUBLIC BENEFIT ARTIST COMPANY SET FORTH IN ITS
15 OPERATING AGREEMENT ARE INACCURATELY SET FORTH IN ITS ARTICLES
16 OF ORGANIZATION SHALL PROMPTLY AMEND THE ARTICLES OF
17 ORGANIZATION IN ACCORDANCE WITH SECTION 7-80-1209 (1)(c)(II).

18 (7) THE ELECTION TO ADOPT A PUBLIC BENEFITS PROVISION MAY
19 FACILITATE CERTIFICATION OF AN ARTIST COMPANY UNDER THIRD-PARTY
20 STANDARDS APPLICABLE TO PUBLIC BENEFIT ARTIST COMPANIES.

21 **7-80-1216. Public benefit artist company - duties of members**
22 **and managers.**

23 (1) THE MEMBERS OR MANAGERS OR OTHER PERSONS WITH
24 AUTHORITY TO MANAGE OR DIRECT THE BUSINESS AND AFFAIRS OF A
25 PUBLIC BENEFIT ARTIST COMPANY SHALL MANAGE OR DIRECT THE
26 BUSINESS AND AFFAIRS OF THE PUBLIC BENEFIT ARTIST COMPANY IN A
27 MANNER THAT BALANCES:

- 1 (a) THE PECUNIARY INTERESTS OF THE MEMBERS;
- 2 (b) THE BEST INTERESTS OF THOSE MATERIALLY AFFECTED BY ITS
- 3 CONDUCT;
- 4 (c) THE SPECIFIC PUBLIC BENEFITS SET FORTH IN ITS ARTICLES OF
- 5 ORGANIZATION AND OPERATING AGREEMENT, IF ANY; AND
- 6 (d) ITS ARTISTIC MISSION.

7 (2) UNLESS OTHERWISE PROVIDED IN AN OPERATING AGREEMENT,
8 A MEMBER, A MANAGER, OR OTHER PERSON WITH AUTHORITY TO MANAGE
9 OR DIRECT THE BUSINESS AND AFFAIRS OF A PUBLIC BENEFIT ARTIST
10 COMPANY DOES NOT HAVE ANY LIABILITY FOR MONETARY DAMAGES FOR
11 THE FAILURE TO MANAGE OR DIRECT THE BUSINESS AND AFFAIRS OF THE
12 PUBLIC BENEFIT ARTIST COMPANY AS PROVIDED IN SUBSECTION (1) OF THIS
13 SECTION.

14 (3) A MEMBER OR MANAGER OF A PUBLIC BENEFIT ARTIST
15 COMPANY OR ANOTHER PERSON WITH AUTHORITY TO MANAGE OR DIRECT
16 THE BUSINESS AND AFFAIRS OF A PUBLIC BENEFIT ARTIST COMPANY SHALL
17 NOT, BY VIRTUE OF THE PUBLIC BENEFITS PROVISIONS OF THIS PART 12 OR
18 SUBSECTION (1) OF THIS SECTION, HAVE ANY DUTY TO A PERSON ON
19 ACCOUNT OF ANY INTEREST OF THE PERSON IN THE PUBLIC BENEFITS SET
20 FORTH IN ITS ARTICLES OF ORGANIZATION AND OPERATING AGREEMENT,
21 IF ANY, OR ON ACCOUNT OF ANY INTEREST MATERIALLY AFFECTED BY THE
22 PUBLIC BENEFIT ARTIST COMPANY'S CONDUCT.

23 (4) WITH RESPECT TO A DECISION IMPLICATING THE BALANCE
24 REQUIREMENT SET FORTH IN SUBSECTION (1) OF THIS SECTION, A MEMBER,
25 A MANAGER, OR OTHER PERSON WITH AUTHORITY TO MANAGE OR DIRECT
26 THE BUSINESS AND AFFAIRS OF A PUBLIC BENEFIT ARTIST COMPANY IS
27 DEEMED TO SATISFY THE PERSON'S FIDUCIARY DUTIES TO MEMBERS AND

1 THE PUBLIC BENEFIT ARTIST COMPANY IF THE PERSON'S DECISION IS BOTH
2 INFORMED AND DISINTERESTED AND NOT A DECISION THAT A PERSON OF
3 ORDINARY, SOUND JUDGMENT WOULD NOT APPROVE.

4 **7-80-1217. Public benefit artist company - annual statements.**

5 (1) A PUBLIC BENEFIT ARTIST COMPANY SHALL AT LEAST
6 ANNUALLY PROVIDE ITS MEMBERS AND DONORS WITH A STATEMENT
7 SPECIFYING:

8 (a) THE PUBLIC BENEFIT ARTIST COMPANY'S PROMOTION OF THE
9 PUBLIC BENEFITS SET FORTH IN ITS ARTICLES OF ORGANIZATION AND
10 OPERATING AGREEMENT, IF ANY;

11 (b) THE PUBLIC BENEFIT ARTIST COMPANY'S FULFILLMENT OF ITS
12 ARTISTIC MISSION; AND

13 (c) THE BEST INTERESTS OF THOSE MATERIALLY AFFECTED BY THE
14 PUBLIC BENEFIT ARTIST COMPANY'S CONDUCT.

15 (2) THE STATEMENT REQUIRED BY SUBSECTION (1) OF THIS
16 SECTION MUST INCLUDE:

17 (a) THE OBJECTIVES THAT HAVE BEEN ESTABLISHED TO PROMOTE
18 THE PUBLIC BENEFIT ARTIST COMPANY'S PUBLIC BENEFITS, ARTISTIC
19 MISSION, AND INTERESTS;

20 (b) THE STANDARDS THAT HAVE BEEN ADOPTED TO MEASURE THE
21 PUBLIC BENEFIT ARTIST COMPANY'S PROGRESS IN PROMOTING THE PUBLIC
22 BENEFIT ARTIST COMPANY'S PUBLIC BENEFITS, ARTISTIC MISSION, AND
23 INTERESTS;

24 (c) OBJECTIVE FACTUAL INFORMATION BASED ON THE STANDARDS
25 DESCRIBED IN SUBSECTION (2)(b) OF THIS SECTION REGARDING THE PUBLIC
26 BENEFIT ARTIST COMPANY'S SUCCESS IN MEETING THE OBJECTIVES FOR
27 PROMOTING THE PUBLIC BENEFITS, ARTISTIC MISSION, AND INTERESTS; AND

1 (d) AN ASSESSMENT OF THE PUBLIC BENEFIT ARTIST COMPANY'S
2 SUCCESS IN MEETING THE OBJECTIVES AND PROMOTING THE PUBLIC
3 BENEFITS, ARTISTIC MISSION, AND INTERESTS.

4 (3) THE STATEMENT REQUIRED BY THIS SECTION MAY BE INCLUDED
5 IN OR PROVIDED CONCURRENTLY WITH ANY OTHER REPORT OR STATEMENT
6 PROVIDED TO MEMBERS.

7 **7-80-1218. Member transition.**

8 (1) AN ARTIST COMPANY'S ARTICLES OF ORGANIZATION OR
9 OPERATING AGREEMENT MAY PROVIDE FOR:

10 (a) PROCEDURES FOR ADMISSION OF NEW MEMBERS AND
11 DEPARTURE, WITHDRAWAL, EXPULSION, OR DISSOCIATION OF EXISTING
12 MEMBERS, SO LONG AS ARTISTS RETAIN OWNERSHIP IN ACCORDANCE WITH
13 THE REQUIREMENTS OF SECTION 7-80-1203 (1)(c);

14 (b) RIGHTS TO ARTISTIC WORK, ROYALTY SHARING RIGHTS, AND
15 REVENUE PARTICIPATION RIGHTS UPON A MEMBER'S DEPARTURE,
16 INCLUDING:

17 (I) WHETHER ARTISTIC WORK ASSIGNED OR EXCLUSIVELY
18 LICENSED BY THE DEPARTING ARTIST-MEMBER REMAINS WITH THE ARTIST
19 COMPANY OR REVERTS TO THE MEMBER, IN WHOLE OR IN PART;

20 (II) WHETHER ARTISTIC WORK CREATED DURING THE MEMBER'S
21 MEMBERSHIP REMAINS WITH THE ARTIST COMPANY OR REVERTS TO THE
22 ARTIST-MEMBER IN SPECIFIED DEPARTURE SCENARIOS, IN WHOLE OR IN
23 PART;

24 (III) WHETHER AND ON WHAT TERMS THE DEPARTING
25 ARTIST-MEMBER RETAINS RIGHTS TO RECEIVE ROYALTIES OR REVENUES
26 FROM ARTISTIC WORK CREATED DURING THEIR MEMBERSHIP IN SPECIFIED
27 DEPARTURE SCENARIOS; AND

1 (IV) WHETHER AND ON WHAT TERMS THE DEPARTING
2 ARTIST-MEMBER RETAINS RIGHTS TO USE COLLECTIVE NAMES,
3 TRADEMARKS, OR OTHER IDENTIFIERS ASSOCIATED WITH THE ARTIST
4 COMPANY;

5 (c) CONTINUING ECONOMIC RIGHTS OF DEPARTED MEMBERS,
6 INCLUDING DISTRIBUTION RIGHTS, ROYALTY SHARING, AND REVENUE
7 PARTICIPATION;

8 (d) RIGHTS AND OBLIGATIONS OF REMAINING MEMBERS,
9 INCLUDING RIGHTS TO CONTINUE EXPLOITING ARTISTIC WORK JOINTLY
10 CREATED WITH DEPARTED ARTIST-MEMBERS;

11 (e) VALUATION AND BUYOUT PROVISIONS FOR A DEPARTING
12 MEMBER'S INTEREST; AND

13 (f) DISPUTE RESOLUTION PROCEDURES.

14 (2) IN THE ABSENCE OF PROVISIONS ADDRESSING MEMBER
15 DEPARTURE IN THE ARTICLES OF ORGANIZATION OR OPERATING
16 AGREEMENT OF AN ARTIST COMPANY:

17 (a) A DEPARTING MEMBER'S OWNERSHIP INTEREST IS SUBJECT TO
18 THE DEFAULT PROVISIONS OF THIS ARTICLE 80;

19 (b) ARTISTIC WORK ASSIGNED OR EXCLUSIVELY LICENSED BY THE
20 MEMBER, IF AN ARTIST-MEMBER, TO THE ARTIST COMPANY REMAINS THE
21 PROPERTY OF THE ARTIST COMPANY, SUBJECT TO ANY REVERSIONARY
22 RIGHTS PROVIDED IN SECTION 7-80-1222 (2)(a)(I);

23 (c) ARTISTIC WORK CREATED BY THE MEMBER, IF AN
24 ARTIST-MEMBER, DURING THEIR MEMBERSHIP SHALL BE TREATED IN
25 ACCORDANCE WITH ANY ASSIGNMENT OR EXCLUSIVE LICENSING TERMS
26 INCLUDED IN THE ARTICLES OF ORGANIZATION OR OPERATING AGREEMENT
27 PURSUANT TO SECTION 7-80-1213 (1) OR, IN THE ABSENCE OF SUCH TERMS,

1 IS GOVERNED BY FEDERAL INTELLECTUAL PROPERTY LAW; AND

2 (d) THE DEPARTING MEMBER HAS NO CONTINUING RIGHTS TO
3 DISTRIBUTIONS, ROYALTIES, OR REVENUES EXCEPT AS MAY BE REQUIRED
4 BY SECTION 7-80-1213 (4) OR 7-80-1222 (2)(a)(I).

5 (3) THE ADMISSION OF A NEW MEMBER MUST INCLUDE THE
6 CONSENT SPECIFIED IN THE ARTICLES OF ORGANIZATION OR OPERATING
7 AGREEMENT OF AN ARTIST COMPANY OR, IN THE ABSENCE OF SUCH
8 SPECIFICATION, THE CONSENT REQUIRED BY SECTION 7-80-701.

9 **7-80-1219. Tax treatment.**

10 THE LONG-FORM ARTICLES MAY INCLUDE AN ELECTION TO BE
11 TAXED AS A CORPORATION OR TO CONFIRM PASS-THROUGH TAX
12 TREATMENT FOR FEDERAL INCOME TAX PURPOSES, SUBJECT TO
13 APPLICABLE FEDERAL TAX LAW.

14 **7-80-1220. Reporting requirements.**

15 AN ARTIST COMPANY SHALL FILE THE PERIODIC REPORT REQUIRED
16 OF LIMITED LIABILITY COMPANIES UNDER SECTION 7-90-501.

17 **7-80-1221. Limitation on liability - no private right of action.**

18 (1) A PERSON SHALL NOT HAVE A PRIVATE RIGHT OF ACTION
19 AGAINST AN ARTIST COMPANY, ITS GOVERNING BODY, ITS MANAGER, OR
20 ITS MEMBERS BASED ON:

21 (a) THE ARTIST COMPANY'S FAILURE TO PURSUE OR CREATE A
22 PUBLIC BENEFIT;

23 (b) THE ARTIST COMPANY'S FAILURE TO FULFILL ITS ARTISTIC
24 MISSION; OR

25 (c) ANY ALLEGED BREACH OF DUTIES DESCRIBED IN SECTION
26 7-80-1216.

27 (2) THE LIMITATION ON PRIVATE RIGHTS OF ACTION SET FORTH IN

1 THIS SECTION DOES NOT LIMIT ANY OTHER RIGHTS OR REMEDIES
2 AVAILABLE UNDER LAW.

3 **7-80-1222. Dissolution and winding up - artistic work**
4 **reversionary rights - distribution of assets.**

5 (1) DISSOLUTION OF AN ARTIST COMPANY IS GOVERNED BY PART
6 8 OF THIS ARTICLE 80, EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION.

7 (2) (a) (I) UPON DISSOLUTION OF AN ARTIST COMPANY, ALL RIGHTS
8 TO ARTISTIC WORK ASSIGNED OR EXCLUSIVELY LICENSED BY
9 ARTIST-MEMBERS TO THE ARTIST COMPANY OR CREATED BY
10 ARTIST-MEMBERS OF THE ARTIST COMPANY DURING THE ARTIST-MEMBER'S
11 MEMBERSHIP REVERT TO THE ARTIST-MEMBERS THAT ASSIGNED,
12 EXCLUSIVELY LICENSED, OR CREATED SUCH ARTISTIC WORK AND ANY
13 APPLICABLE ASSIGNMENT OR EXCLUSIVE LICENSE AUTOMATICALLY
14 TERMINATES. FOR JOINTLY CREATED WORKS, ASSIGNED OR EXCLUSIVELY
15 LICENSED RIGHTS REVERT TO THE APPLICABLE ARTISTS:

16 (A) AS SPECIFIED IN THE ARTICLES OF ORGANIZATION OR
17 OPERATING AGREEMENT OF THE ARTIST COMPANY;

18 (B) IF NOT SPECIFIED IN THE ARTICLES OF ORGANIZATION OR
19 OPERATING AGREEMENT OF THE ARTIST COMPANY, AS MUTUALLY AGREED
20 UPON BY THE APPLICABLE ARTISTS; OR

21 (C) IF MUTUAL AGREEMENT CANNOT BE REACHED BY THE
22 APPLICABLE ARTISTS, AS JOINTLY OWNED ARTISTIC WORK IN ACCORDANCE
23 FEDERAL INTELLECTUAL PROPERTY LAW.

24 (II) INTELLECTUAL PROPERTY THAT DOES NOT CONSTITUTE
25 ARTISTIC WORK IS NOT SUBJECT TO THE REVERSIONARY RIGHTS DESCRIBED
26 IN THIS SECTION AND SHALL BE DISTRIBUTED PURSUANT TO SUBSECTION
27 (3) OF THIS SECTION.

1 (III) THE REVERSIONARY RIGHTS DESCRIBED IN SUBSECTION
2 (2)(a)(I) OF THIS SECTION CONSTITUTE RETAINED INTERESTS THAT WERE
3 NEVER FULLY TRANSFERRED TO THE ARTIST COMPANY AND THEREFORE
4 ARE NOT ASSETS OF THE ARTIST COMPANY AVAILABLE TO CREDITORS OR
5 NONARTIST INVESTORS.

6 (b) THE REVERSIONARY RIGHTS DESCRIBED IN SUBSECTION
7 (2)(a)(I) OF THIS SECTION ARE SUBJECT TO:

8 (I) PERFECTED SECURITY INTERESTS OR LIENS GRANTED BY THE
9 ARTIST COMPANY WITH THE EXPRESS WRITTEN CONSENT OF THE ARTIST OR
10 ARTISTS HOLDING THE REVERSIONARY RIGHT;

11 (II) EXISTING LICENSES TO THIRD PARTIES ENTERED INTO IN THE
12 ORDINARY COURSE OF BUSINESS; AND

13 (III) CONTINUING ROYALTY SHARING OR REVENUE PARTICIPATION
14 OBLIGATIONS SPECIFIED IN THE ARTICLES OF ORGANIZATION OR OPERATING
15 AGREEMENT OF THE ARTIST COMPANY.

16 (c) THE ARTICLES OF ORGANIZATION OR OPERATING AGREEMENT
17 OF AN ARTIST COMPANY MAY SPECIFY THE TERMS OF A REVERSION,
18 INCLUDING:

19 (I) PRIORITY AMONG ARTISTS IN CLAIMING REVERSIONARY RIGHTS;

20 (II) ALLOCATION OF REVERSIONARY RIGHTS IN JOINT WORKS;

21 (III) CONTINUING OBLIGATIONS TO SHARE ROYALTIES OR
22 REVENUES FROM REVERTED ARTISTIC WORK; AND

23 (IV) RIGHTS TO USE COLLECTIVE NAMES, TRADEMARKS, OR OTHER
24 IDENTIFIERS.

25 (3) UPON DISSOLUTION, AFTER GIVING EFFECT TO ANY ARTISTIC
26 WORK REVERSIONARY RIGHTS DESCRIBED IN SUBSECTION (2)(a)(I) OF THIS
27 SECTION, AND AFTER PAYMENT OR PROVISION FOR LIABILITIES:

1 (a) ASSETS SHALL BE DISTRIBUTED IN ACCORDANCE WITH PRIORITY
2 AND DISTRIBUTION PROVISIONS IN THE ARTICLES OF ORGANIZATION OR
3 OPERATING AGREEMENT OF THE ARTIST COMPANY, INCLUDING
4 PREFERENCES FOR HOLDERS OF REVENUE PARTICIPATION RIGHTS, ROYALTY
5 SHARING RIGHTS, OR OTHER ECONOMIC INTERESTS; OR

6 (b) IF NOT SPECIFIED, ASSETS SHALL BE DISTRIBUTED PRO RATA TO
7 MEMBERS BASED ON OWNERSHIP PERCENTAGES.

8 (4) THE ARTICLES OF ORGANIZATION OR OPERATING AGREEMENT
9 OF AN ARTIST COMPANY MAY SPECIFY:

10 (a) PRIORITY OF DISTRIBUTIONS AMONG DIFFERENT CLASSES OF
11 ECONOMIC INTERESTS;

12 (b) TREATMENT OF UNVESTED OR CONTINGENT ECONOMIC RIGHTS;

13 (c) ALLOCATION OF REMAINING INTELLECTUAL PROPERTY VALUE;

14 OR

15 (d) OTHER DISSOLUTION AND DISTRIBUTION TERMS.

16 **7-80-1223. Effect on other limited liability companies.**

17 THIS PART 12 DOES NOT AFFECT A STATUTE OR RULE OF LAW THAT
18 IS APPLICABLE TO A LIMITED LIABILITY COMPANY THAT IS NOT AN ARTIST
19 COMPANY.

20 **7-80-1224. Jurisdiction - foreign artists.**

21 (1) A PERSON FROM A JURISDICTION OTHER THAN COLORADO MAY
22 FORM OR CONVERT A LIMITED LIABILITY COMPANY TO AN ARTIST
23 COMPANY UNDER THIS PART 12, SUBJECT TO COMPLIANCE WITH THIS PART
24 12.

25 (2) THE FORMATION OF AN ARTIST COMPANY UNDER THIS PART 12
26 IS GOVERNED BY THE LAWS OF THE STATE, AND AN ARTIST COMPANY
27 FORMED UNDER THIS PART 12 IS A DOMESTIC LIMITED LIABILITY COMPANY

1 FOR ALL PURPOSES UNDER THIS ARTICLE 80, REGARDLESS OF THE
2 RESIDENCE OR DOMICILE OF ITS ARTIST-MEMBERS.

3 (3) NOTHING IN THIS SECTION AFFECTS THE REQUIREMENTS FOR
4 FOREIGN LIMITED LIABILITY COMPANIES UNDER PART 9 OF THIS ARTICLE
5 80.

6 **SECTION 2. Act subject to petition - effective date.** This act
7 takes effect at 12:01 a.m. on the day following the expiration of the
8 ninety-day period after final adjournment of the general assembly (August
9 12, 2026, if adjournment sine die is on May 13, 2026); except that, if a
10 referendum petition is filed pursuant to section 1 (3) of article V of the
11 state constitution against this act or an item, section, or part of this act
12 within such period, then the act, item, section, or part will not take effect
13 unless approved by the people at the general election to be held in
14 November 2026 and, in such case, will take effect on the date of the
15 official declaration of the vote thereon by the governor.