

CHAPTER 197

CORPORATIONS AND ASSOCIATIONS

SENATE BILL 11-191

BY SENATOR(S) Bacon, Johnston, Newell;
also REPRESENTATIVE(S) Gardner B. and Levy, Kagan, Liston.

AN ACT

CONCERNING ENACTMENT OF THE "COLORADO UNIFORM LIMITED COOPERATIVE ASSOCIATION ACT", AND MAKING AN APPROPRIATION THEREFOR.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. Title 7, Colorado Revised Statutes, is amended BY THE ADDITION OF A NEW ARTICLE to read:

ARTICLE 58
Uniform Limited Cooperative Association Act

PART 1
GENERAL PROVISIONS

7-58-101. Short title. THIS ARTICLE SHALL BE KNOWN AND MAY BE CITED AS THE "COLORADO UNIFORM LIMITED COOPERATIVE ASSOCIATION ACT".

7-58-102. Definitions. AS USED IN THIS ARTICLE, UNLESS THIS ARTICLE STATES A DIFFERENT DEFINITION:

(1) THE TERMS DEFINED IN ARTICLE 90 OF THIS TITLE HAVE THE MEANINGS STATED IN THAT ARTICLE UNLESS THIS ARTICLE STATES A DIFFERENT DEFINITION.

(2) "ARTICLES OF ORGANIZATION" OR "ARTICLES" MEANS THE ARTICLES OF ORGANIZATION OF A LIMITED COOPERATIVE ASSOCIATION REQUIRED BY SECTION 7-58-302 CONTAINING PROVISIONS REQUIRED OR PERMITTED BY SECTIONS 7-58-303 AND 7-58-306. THE TERM INCLUDES THE ARTICLES OF ORGANIZATION AS AMENDED OR RESTATED.

Capital letters indicate new material added to existing statutes; dashes through words indicate deletions from existing statutes and such material not part of act.

(3) "BOARD OF DIRECTORS" MEANS THE BOARD OF DIRECTORS OF A LIMITED COOPERATIVE ASSOCIATION.

(4) "BYLAWS" MEANS THE BYLAWS OF A LIMITED COOPERATIVE ASSOCIATION REQUIRED BY SECTION 7-58-304 CONTAINING PROVISIONS REQUIRED OR PERMITTED BY SECTION 7-58-305 AND 7-58-306. THE TERM INCLUDES THE BYLAWS AS AMENDED OR RESTATED.

(5) "CONTRIBUTION", EXCEPT AS USED IN SECTION 7-58-1008 (3), MEANS A BENEFIT THAT A PERSON PROVIDES TO A LIMITED COOPERATIVE ASSOCIATION TO BECOME OR REMAIN A MEMBER OR IN THE PERSON'S CAPACITY AS A MEMBER.

(6) "COOPERATIVE" MEANS A LIMITED COOPERATIVE ASSOCIATION OR AN ENTITY ORGANIZED UNDER ANY COOPERATIVE LAW OF ANY JURISDICTION.

(7) "DIRECTOR" MEANS A DIRECTOR OF A LIMITED COOPERATIVE ASSOCIATION.

(8) "DISTRIBUTION", EXCEPT AS USED IN SECTION 7-58-1007 (5), MEANS A TRANSFER OF MONEY OR OTHER PROPERTY FROM A LIMITED COOPERATIVE ASSOCIATION TO A MEMBER BECAUSE OF THE MEMBER'S FINANCIAL RIGHTS OR TO A TRANSFEREE OF A MEMBER'S FINANCIAL RIGHTS.

(9) "FINANCIAL RIGHTS" MEANS THE RIGHT TO PARTICIPATE IN ALLOCATIONS AND DISTRIBUTIONS AS PROVIDED IN PARTS 10 AND 12 OF THIS ARTICLE BUT DOES NOT INCLUDE RIGHTS OR OBLIGATIONS UNDER A MARKETING CONTRACT GOVERNED BY PART 7 OF THIS ARTICLE.

(10) "GOVERNANCE RIGHTS" MEANS THE RIGHT TO PARTICIPATE IN GOVERNANCE OF A LIMITED COOPERATIVE ASSOCIATION.

(11) "INVESTOR MEMBER" MEANS A MEMBER THAT HAS MADE A CONTRIBUTION TO A LIMITED COOPERATIVE ASSOCIATION AND THAT:

(a) IS NOT REQUIRED BY THE ARTICLES OR BYLAWS TO CONDUCT PATRONAGE WITH THE ASSOCIATION IN THE MEMBER'S CAPACITY AS AN INVESTOR MEMBER IN ORDER TO RECEIVE OR RETAIN THE MEMBER'S INTEREST; OR

(b) IS NOT PERMITTED BY THE ARTICLES OR BYLAWS TO CONDUCT PATRONAGE WITH THE ASSOCIATION IN THE MEMBER'S CAPACITY AS AN INVESTOR MEMBER IN ORDER TO RECEIVE OR RETAIN THE MEMBER'S INTEREST.

(12) "LIMITED COOPERATIVE ASSOCIATION" OR "ASSOCIATION" MEANS AN ASSOCIATION ORGANIZED UNDER THIS ARTICLE.

(13) "MEMBER" MEANS A PERSON THAT IS ADMITTED AS A PATRON MEMBER OR INVESTOR MEMBER, OR BOTH, IN A LIMITED COOPERATIVE ASSOCIATION. THE TERM DOES NOT INCLUDE A PERSON THAT HAS DISSOCIATED AS A MEMBER.

(14) "MEMBER'S INTEREST" MEANS THE INTEREST OF A PATRON MEMBER OR INVESTOR MEMBER WITH THE ATTRIBUTES STATED IN SECTION 7-58-601.

(15) "MEMBERS MEETING" MEANS AN ANNUAL MEMBERS MEETING OR SPECIAL MEETING OF MEMBERS.

(16) "ORGANIZER" MEANS A PERSON WHO IS NAMED IN THE ARTICLES AS AN ORGANIZER.

(17) "PATRONAGE" MEANS BUSINESS TRANSACTIONS BETWEEN A LIMITED COOPERATIVE ASSOCIATION AND A PERSON THAT ENTITLE THE PERSON TO RECEIVE FINANCIAL RIGHTS BASED ON THE VALUE OR QUANTITY OF BUSINESS DONE BETWEEN THE ASSOCIATION AND THE PERSON.

(18) "PATRON MEMBER" MEANS A MEMBER THAT HAS MADE A CONTRIBUTION TO A LIMITED COOPERATIVE ASSOCIATION AND THAT:

(a) IS REQUIRED BY THE ARTICLES OR BYLAWS TO CONDUCT PATRONAGE WITH THE ASSOCIATION IN THE MEMBER'S CAPACITY AS A PATRON MEMBER IN ORDER TO RECEIVE OR RETAIN THE MEMBER'S INTEREST; OR

(b) IS PERMITTED BY THE ARTICLES OR BYLAWS TO CONDUCT PATRONAGE WITH THE ASSOCIATION IN THE MEMBER'S CAPACITY AS A PATRON MEMBER IN ORDER TO RECEIVE OR RETAIN THE MEMBER'S INTEREST.

(19) "PROPER COURT" MEANS THE DISTRICT COURT FOR THE COUNTY IN THIS STATE IN WHICH THE STREET ADDRESS OF THE LIMITED COOPERATIVE ASSOCIATION'S PRINCIPAL OFFICE IS LOCATED OR, IF THE ASSOCIATION HAS NO PRINCIPAL OFFICE IN THIS STATE, THE DISTRICT COURT FOR THE COUNTY IN WHICH THE STREET ADDRESS OF ITS REGISTERED AGENT IS LOCATED, OR, IF THE ASSOCIATION HAS NO REGISTERED AGENT, THE DISTRICT COURT FOR THE CITY AND COUNTY OF DENVER.

(20) "RECORD", USED AS A NOUN, MEANS INFORMATION THAT IS INSCRIBED ON A TANGIBLE MEDIUM OR THAT IS STORED IN AN ELECTRONIC OR OTHER MEDIUM AND IS RETRIEVABLE IN PERCEIVABLE FORM.

(21) "REQUIRED INFORMATION" MEANS THE INFORMATION A LIMITED COOPERATIVE ASSOCIATION IS REQUIRED TO MAINTAIN UNDER SECTION 7-58-112.

(22) "SIGN" MEANS, WITH PRESENT INTENT, TO AUTHENTICATE OR ADOPT A RECORD BY:

(a) EXECUTING OR ADOPTING A TANGIBLE SYMBOL; OR

(b) ATTACHING TO OR LOGICALLY ASSOCIATING WITH THE RECORD AN ELECTRONIC SYMBOL, SOUND, OR PROCESS.

(23) "TRANSFER" INCLUDES AN ASSIGNMENT, CONVEYANCE, DEED, BILL OF SALE, LEASE, MORTGAGE, SECURITY INTEREST, ENCUMBRANCE, GIFT, AND TRANSFER BY OPERATION OF LAW.

(24) "VOTING GROUP" MEANS ANY COMBINATION OF ONE OR MORE VOTING MEMBERS IN ONE OR MORE DISTRICTS OR CLASSES THAT, UNDER THIS ARTICLE OR THE ARTICLES OR BYLAWS, ARE ENTITLED TO VOTE AND CAN BE COUNTED TOGETHER

COLLECTIVELY ON A MATTER AT A MEMBERS MEETING.

(25) "VOTING MEMBER" MEANS A MEMBER THAT, UNDER THIS ARTICLE OR THE ARTICLES OR BYLAWS, HAS A RIGHT TO VOTE ON MATTERS SUBJECT TO VOTE BY MEMBERS UNDER THIS ARTICLE OR THE ARTICLES OR BYLAWS.

(26) "VOTING POWER" MEANS THE TOTAL CURRENT POWER OF MEMBERS TO VOTE ON A PARTICULAR MATTER FOR WHICH A VOTE MAY OR IS TO BE TAKEN.

7-58-103. Reservation of power to amend or repeal. THE GENERAL ASSEMBLY HAS THE POWER TO AMEND OR REPEAL ALL OR PART OF THIS ARTICLE AT ANY TIME, AND ALL DOMESTIC AND FOREIGN LIMITED COOPERATIVE ASSOCIATIONS SUBJECT TO THIS ARTICLE SHALL BE GOVERNED BY THE AMENDMENT OR REPEAL.

7-58-104. Nature of limited cooperative association. (1) A LIMITED COOPERATIVE ASSOCIATION ORGANIZED UNDER THIS ARTICLE IS AN AUTONOMOUS, UNINCORPORATED ASSOCIATION OF PERSONS UNITED TO MEET THEIR MUTUAL INTERESTS THROUGH A JOINTLY OWNED ENTERPRISE PRIMARILY CONTROLLED BY THOSE PERSONS, THE PATRONAGE OF WHICH IS CARRIED ON FOR THE MUTUAL BENEFIT OF THE PATRON MEMBERS AND THAT PERMITS COMBINING:

(a) OWNERSHIP, FINANCING, AND RECEIPT OF BENEFITS BY THE PATRON MEMBERS FOR WHOSE PATRONAGE THE ASSOCIATION IS FORMED; AND

(b) SEPARATE INVESTMENTS IN THE ASSOCIATION BY INVESTOR MEMBERS WHO INVEST IN THE LIMITED COOPERATIVE ASSOCIATION AND MAY RECEIVE RETURNS ON THEIR INVESTMENTS AND A SHARE OF CONTROL.

(2) THE FACT THAT A LIMITED COOPERATIVE ASSOCIATION DOES NOT HAVE MORE THAN ONE OF THE CHARACTERISTICS DESCRIBED IN PARAGRAPH (a) OF SUBSECTION (1) OF THIS SECTION OR ANY OF THE CHARACTERISTICS DESCRIBED IN PARAGRAPH (b) OF SUBSECTION (1) OF THIS SECTION DOES NOT ALONE PREVENT THE ASSOCIATION FROM BEING FORMED UNDER AND GOVERNED BY THIS ARTICLE, NOR DOES IT ALONE PROVIDE A BASIS FOR AN ACTION AGAINST THE ASSOCIATION OR A MEMBER.

(3) THE RELATIONS BETWEEN A LIMITED COOPERATIVE ASSOCIATION AND ITS MEMBERS ARE CONSENSUAL AND CONTRACTUAL. UNLESS REQUIRED, LIMITED, OR PROHIBITED BY THIS ARTICLE OR OTHER APPLICABLE LAW, THE ARTICLES AND BYLAWS OF AN ASSOCIATION MAY PROVIDE FOR ANY MATTER CONCERNING THE RELATIONS AMONG THE MEMBERS OF THE ASSOCIATION AND BETWEEN THE MEMBERS AND THE ASSOCIATION, THE ACTIVITIES OF THE ASSOCIATION, AND THE CONDUCT OF ITS ACTIVITIES.

7-58-105. Purpose of limited cooperative association. (1) A LIMITED COOPERATIVE ASSOCIATION IS AN ENTITY DISTINCT FROM ITS MEMBERS.

(2) A LIMITED COOPERATIVE ASSOCIATION MAY BE ORGANIZED FOR ANY LAWFUL PURPOSE, WHETHER OR NOT FOR PROFIT.

7-58-106. Powers. (1) UNLESS OTHERWISE PROVIDED IN THE ARTICLES, EVERY LIMITED COOPERATIVE ASSOCIATION HAS PERPETUAL DURATION AND SUCCESSION

IN ITS DOMESTIC ENTITY NAME AND HAS THE POWERS TO DO ALL THINGS NECESSARY OR CONVENIENT TO CARRY OUT ITS BUSINESS AND AFFAIRS, INCLUDING WITHOUT LIMITATION:

(a) TO SUE AND BE SUED, COMPLAIN, AND DEFEND IN ITS ENTITY NAME, AND TO MAINTAIN AN ACTION AGAINST A MEMBER FOR HARM CAUSED TO THE ASSOCIATION BY THE MEMBER'S VIOLATION OF A DUTY TO THE ASSOCIATION OR OF THIS ARTICLE OR THE ARTICLES OR BYLAWS;

(b) TO HAVE A SEAL, WHICH MAY BE ALTERED AT WILL, AND TO USE THE SEAL, OR A FACSIMILE THEREOF, INCLUDING A RUBBER STAMP, BY IMPRESSING OR AFFIXING IT OR BY REPRODUCING IT IN ANY OTHER MANNER;

(c) TO AMEND ITS ARTICLES AND MAKE AND AMEND BYLAWS;

(d) TO PURCHASE, RECEIVE, LEASE, AND OTHERWISE ACQUIRE, AND TO OWN, HOLD, IMPROVE, USE, AND OTHERWISE DEAL WITH, REAL OR PERSONAL PROPERTY OR ANY LEGAL OR EQUITABLE INTEREST IN PROPERTY, WHEREVER LOCATED;

(e) TO SELL, CONVEY, MORTGAGE, PLEDGE, LEASE, EXCHANGE, AND OTHERWISE DISPOSE OF ALL OR ANY PART OF ITS PROPERTY;

(f) TO PURCHASE, RECEIVE, SUBSCRIBE FOR, AND OTHERWISE ACQUIRE SHARES AND OTHER INTERESTS IN, AND OBLIGATIONS OF, ANY OTHER ENTITY; AND TO OWN, HOLD, VOTE, USE, SELL, MORTGAGE, LEND, PLEDGE, AND OTHERWISE DISPOSE OF, AND DEAL IN AND WITH, THE SAME;

(g) TO MAKE CONTRACTS AND GUARANTEES; INCUR LIABILITIES; BORROW MONEY; ISSUE NOTES, BONDS, AND OTHER OBLIGATIONS, WHICH MAY BE CONVERTIBLE INTO OR INCLUDE THE OPTION TO PURCHASE OTHER INTERESTS OR SECURITIES OF THE ASSOCIATION; AND SECURE ANY OF ITS OBLIGATIONS BY MORTGAGE OR PLEDGE OF ANY OF ITS PROPERTY, FRANCHISES, OR INCOME;

(h) TO LEND MONEY, INVEST AND REINVEST ITS FUNDS, AND RECEIVE AND HOLD REAL AND PERSONAL PROPERTY AS SECURITY FOR REPAYMENT;

(i) TO BE AN AGENT, AN ASSOCIATE, A FIDUCIARY, A MANAGER, A MEMBER, A PARTNER, AN EQUITY OWNER, A PROMOTER, OR A TRUSTEE OF, OR TO HOLD ANY SIMILAR POSITION WITH, ANY ENTITY;

(j) TO CONDUCT ITS BUSINESS AND ACTIVITIES, LOCATE OFFICES, AND EXERCISE THE POWERS GRANTED BY THIS ARTICLE WITHIN OR WITHOUT THIS STATE;

(k) TO ELECT AND APPOINT DIRECTORS, OFFICERS, EMPLOYEES, AND AGENTS OF THE ASSOCIATION, DEFINE THEIR DUTIES, FIX THEIR COMPENSATION, AND LEND THEM MONEY AND CREDIT;

(l) TO PAY PENSIONS AND ESTABLISH PENSION PLANS, PENSION TRUSTS, PROFIT-SHARING PLANS, SHARE BONUS PLANS, SHARE OPTIONS AND RIGHTS PLANS, AND BENEFIT OR INCENTIVE PLANS FOR ANY OF ITS CURRENT OR FORMER DIRECTORS, OFFICERS, EMPLOYEES, AND AGENTS;

(m) TO MAKE DONATIONS FOR THE PUBLIC WELFARE OR FOR CHARITABLE, SCIENTIFIC, OR EDUCATIONAL PURPOSES;

(n) TO MAKE PAYMENTS OR DONATIONS AND TO DO ANY OTHER ACT, NOT INCONSISTENT WITH LAW, THAT FURTHERS THE BUSINESS AND AFFAIRS OF THE ASSOCIATION;

(o) TO ESTABLISH CONDITIONS FOR ADMISSION OF MEMBERS, ADMIT MEMBERS, AND ISSUE OR TRANSFER MEMBERSHIPS;

(p) TO IMPOSE DUES, ASSESSMENTS, AND ADMISSION AND TRANSFER FEES UPON ITS MEMBERS;

(q) TO IMPOSE RESTRICTIONS ON THE TRANSFER OF ITS MEMBERSHIP INTERESTS OR OTHER INTERESTS IN THE ASSOCIATION;

(r) TO CARRY ON ITS BUSINESS AND AFFAIRS;

(s) TO INDEMNIFY CURRENT OR FORMER DIRECTORS, OFFICERS, EMPLOYEES, FIDUCIARIES, OR AGENTS AS PROVIDED IN PART 9 OF THIS ARTICLE;

(t) TO LIMIT THE LIABILITY OF ITS DIRECTORS AS PROVIDED IN SECTION 7-58-818; AND

(u) TO CEASE ITS ACTIVITIES AND DISSOLVE.

7-58-107. Governing law. (1) THE LAW OF THIS STATE GOVERNS:

(a) THE INTERNAL AFFAIRS OF A LIMITED COOPERATIVE ASSOCIATION; AND

(b) THE LIABILITY OF A MEMBER AS MEMBER AND A DIRECTOR AS DIRECTOR FOR THE DEBTS, OBLIGATIONS, OR OTHER LIABILITIES OF A LIMITED COOPERATIVE ASSOCIATION.

7-58-108. Supplemental principles of law. UNLESS DISPLACED BY PARTICULAR PROVISIONS OF THIS ARTICLE, THE PRINCIPLES OF LAW AND EQUITY SUPPLEMENT THIS ARTICLE.

7-58-109. Requirements of other laws. (1) THIS ARTICLE DOES NOT ALTER OR AMEND ANY LAW THAT GOVERNS THE LICENSING AND REGULATION OF AN INDIVIDUAL OR ENTITY IN CARRYING ON A SPECIFIC BUSINESS OR PROFESSION EVEN IF THAT LAW PERMITS THE BUSINESS OR PROFESSION TO BE CONDUCTED BY A LIMITED COOPERATIVE ASSOCIATION, A FOREIGN COOPERATIVE, OR ITS MEMBERS.

(2) A LIMITED COOPERATIVE ASSOCIATION SHALL NOT CONDUCT AN ACTIVITY THAT, UNDER THE LAW OF THIS STATE OTHER THAN THIS ARTICLE, MAY BE CONDUCTED ONLY BY AN ENTITY THAT MEETS SPECIFIC REQUIREMENTS FOR THE INTERNAL AFFAIRS OF THAT ENTITY UNLESS THE ARTICLES OR BYLAWS OF THE ASSOCIATION CONFORM TO THOSE REQUIREMENTS.

7-58-110. Relation to restraint of trade and antitrust law. NO LIMITED

COOPERATIVE ASSOCIATION FORMED UNDER OR SUBJECT TO THIS ARTICLE SHALL, SOLELY BY ITS ORGANIZATION AND EXISTENCE, BE DEEMED TO BE A CONSPIRACY OR A COMBINATION IN RESTRAINT OF TRADE, AN ILLEGAL MONOPOLY, OR AN ATTEMPT TO LESSEN COMPETITION OR TO FIX PRICES ARBITRARILY, NOR SHALL THE MARKETING OR PURCHASING CONTRACTS AND AGREEMENTS AUTHORIZED IN THIS ARTICLE BE CONSIDERED ILLEGAL AS SUCH, IN UNLAWFUL RESTRAINT OF TRADE, OR AS PART OF A CONSPIRACY OR COMBINATION TO ACCOMPLISH AN IMPROPER OR ILLEGAL PURPOSE.

7-58-111. Name. (1) USE OF THE TERM "COOPERATIVE" OR ITS ABBREVIATION UNDER THIS ARTICLE OR SECTION 7-90-601 IS NOT A VIOLATION OF THE PROVISIONS RESTRICTING THE USE OF THE TERM UNDER SECTION 7-90-601 (7) (a).

(2) A LIMITED COOPERATIVE ASSOCIATION OR A MEMBER MAY ENFORCE THE RESTRICTIONS ON THE USE OF THE TERM "COOPERATIVE" UNDER SECTION 7-90-601 (7).

7-58-112. Required information. (1) SUBJECT TO SUBSECTION (2) OF THIS SECTION, A LIMITED COOPERATIVE ASSOCIATION SHALL MAINTAIN IN A RECORD AVAILABLE AT ITS PRINCIPAL OFFICE:

(a) A LIST CONTAINING THE NAME, LAST KNOWN STREET ADDRESS AND, IF DIFFERENT, MAILING ADDRESS, AND TERM OF OFFICE OF EACH DIRECTOR AND OFFICER;

(b) THE INITIAL ARTICLES AND ALL AMENDMENTS TO AND RESTATEMENTS OF THE ARTICLES;

(c) THE INITIAL BYLAWS AND ALL AMENDMENTS TO AND RESTATEMENTS OF THE BYLAWS;

(d) ALL FILED STATEMENTS OF MERGER AND STATEMENTS OF CONVERSION;

(e) ALL ANNUAL FINANCIAL STATEMENTS OF THE ASSOCIATION FOR THE THREE MOST RECENT FISCAL YEARS;

(f) THE MINUTES OF MEMBERS MEETINGS AND RECORDS OF ALL ACTION TAKEN BY MEMBERS WITHOUT A MEETING FOR THE THREE MOST RECENT YEARS;

(g) A LIST CONTAINING:

(I) THE NAME, IN ALPHABETICAL ORDER, AND LAST KNOWN STREET ADDRESS AND, IF DIFFERENT, MAILING ADDRESS OF EACH PATRON MEMBER AND EACH INVESTOR MEMBER; AND

(II) IF THE ASSOCIATION HAS DISTRICTS OR CLASSES OF MEMBERS, INFORMATION FROM WHICH EACH MEMBER IN A DISTRICT OR CLASS MAY BE IDENTIFIED;

(h) THE FEDERAL INCOME TAX RETURNS AND ANY STATE AND LOCAL INCOME TAX RETURNS OF THE ASSOCIATION FOR THE THREE MOST RECENT YEARS;

(i) ACCOUNTING RECORDS MAINTAINED BY THE ASSOCIATION IN THE ORDINARY COURSE OF ITS OPERATIONS FOR THE THREE MOST RECENT YEARS;

(j) THE MINUTES OF ALL DIRECTORS MEETINGS AND RECORDS OF ALL ACTION TAKEN BY DIRECTORS WITHOUT A MEETING FOR THE THREE MOST RECENT YEARS;

(k) THE AMOUNT OF MONEY CONTRIBUTED AND AGREED TO BE CONTRIBUTED BY EACH MEMBER;

(l) A DESCRIPTION AND STATEMENT OF THE AGREED VALUE OF CONTRIBUTIONS OTHER THAN MONEY MADE AND AGREED TO BE MADE BY EACH MEMBER;

(m) THE TIMES AT WHICH, OR EVENTS ON THE HAPPENING OF WHICH, ANY ADDITIONAL CONTRIBUTION IS TO BE MADE BY EACH MEMBER;

(n) FOR EACH MEMBER, A DESCRIPTION AND STATEMENT OF THE MEMBER'S INTEREST OR INFORMATION FROM WHICH THE DESCRIPTION AND STATEMENT CAN BE DERIVED; AND

(o) ALL COMMUNICATIONS CONCERNING THE ASSOCIATION MADE IN A RECORD TO ALL MEMBERS, OR TO ALL MEMBERS IN A DISTRICT OR CLASS, FOR THE THREE MOST RECENT YEARS.

(2) IF A LIMITED COOPERATIVE ASSOCIATION HAS EXISTED FOR LESS THAN THE PERIOD FOR WHICH RECORDS MUST BE MAINTAINED UNDER SUBSECTION (1) OF THIS SECTION, THE PERIOD FOR WHICH RECORDS MUST BE KEPT IS THE PERIOD OF THE ASSOCIATION'S EXISTENCE.

(3) THE ARTICLES OR BYLAWS MAY REQUIRE THAT MORE INFORMATION BE MAINTAINED.

7-58-113. Business transactions of member with limited cooperative association. SUBJECT TO SECTIONS 7-58-818 AND 7-58-819 AND EXCEPT AS OTHERWISE PROVIDED IN THE ARTICLES OR BYLAWS OR A SPECIFIC CONTRACT RELATING TO A TRANSACTION, A MEMBER MAY LEND MONEY TO AND TRANSACT OTHER BUSINESS WITH A LIMITED COOPERATIVE ASSOCIATION IN THE SAME MANNER AS A PERSON THAT IS NOT A MEMBER.

7-58-114. Dual capacity. A PERSON MAY HAVE A PATRON MEMBER'S INTEREST AND AN INVESTOR MEMBER'S INTEREST. WHEN SUCH PERSON ACTS AS A PATRON MEMBER, THE PERSON IS SUBJECT TO THIS ARTICLE AND THE ARTICLES AND BYLAWS GOVERNING PATRON MEMBERS. WHEN SUCH PERSON ACTS AS AN INVESTOR MEMBER, THE PERSON IS SUBJECT TO THIS ARTICLE AND THE ARTICLES AND BYLAWS GOVERNING INVESTOR MEMBERS.

PART 2
REGISTERED AGENTS, FILING, ANNUAL REPORTS,
AND STATEMENT OF FOREIGN ENTITY AUTHORITY

7-58-201. Limited cooperative associations - registered agents - service of process - annual reports. (1) PART 7 OF ARTICLE 90 OF THIS TITLE, PROVIDING FOR

REGISTERED AGENTS AND SERVICE OF PROCESS, APPLIES TO LIMITED COOPERATIVE ASSOCIATIONS FORMED UNDER THIS ARTICLE.

(2) PART 5 OF ARTICLE 90 OF THIS TITLE, PROVIDING FOR PERIODIC REPORTS, APPLIES TO LIMITED COOPERATIVE ASSOCIATIONS FORMED UNDER THIS ARTICLE.

7-58-202. Foreign entity authority. PART 8 OF ARTICLE 90 OF THIS TITLE, PROVIDING FOR THE TRANSACTION OF BUSINESS OR THE CONDUCT OF ACTIVITIES BY FOREIGN ENTITIES, APPLIES TO FOREIGN LIMITED COOPERATIVE ASSOCIATIONS FORMED UNDER SUBSTANTIALLY SIMILAR LAWS OF ANOTHER JURISDICTION.

PART 3
FORMATION AND INITIAL ARTICLES OF
LIMITED COOPERATIVE ASSOCIATION - BYLAWS

7-58-301. Organizers. A LIMITED COOPERATIVE ASSOCIATION MUST BE ORGANIZED BY ONE OR MORE ORGANIZERS.

7-58-302. Formation of limited cooperative association. (1) TO FORM A LIMITED COOPERATIVE ASSOCIATION, ONE OR MORE ORGANIZERS OF THE ASSOCIATION SHALL DELIVER OR CAUSE TO BE DELIVERED ARTICLES TO THE SECRETARY OF STATE FOR FILING.

(2) A LIMITED COOPERATIVE ASSOCIATION IS FORMED AFTER ARTICLES THAT SUBSTANTIALLY COMPLY WITH SECTION 7-58-303 (1) BECOME EFFECTIVE UNDER SECTION 7-90-304.

(3) IF ARTICLES FILED BY THE SECRETARY OF STATE STATE A DELAYED EFFECTIVE DATE, A LIMITED COOPERATIVE ASSOCIATION IS NOT FORMED IF, BEFORE THE ARTICLES TAKE EFFECT, A STATEMENT OF CORRECTION IS FILED PURSUANT TO SECTION 7-90-304 (3) THAT REVOKES THE ARTICLES.

7-58-303. Articles. (1) THE ARTICLES SHALL STATE:

- (a) THE DOMESTIC ENTITY NAME OF THE LIMITED COOPERATIVE ASSOCIATION;
- (b) THE PURPOSES FOR WHICH THE LIMITED COOPERATIVE ASSOCIATION IS FORMED, WHICH MAY BE FOR ANY LAWFUL PURPOSE;
- (c) THE REGISTERED AGENT NAME AND REGISTERED AGENT ADDRESS OF THE ASSOCIATION'S INITIAL REGISTERED AGENT;
- (d) THE STREET ADDRESS AND, IF DIFFERENT, MAILING ADDRESS OF THE ASSOCIATION'S INITIAL PRINCIPAL OFFICE; AND
- (e) THE TRUE NAME AND STREET ADDRESS AND, IF DIFFERENT, MAILING ADDRESS OF EACH ORGANIZER.

(2) THE ARTICLES MAY CONTAIN ANY OTHER PROVISIONS IN ADDITION TO THOSE REQUIRED BY SUBSECTION (1) OF THIS SECTION, INCLUDING ANY MATTERS REFERRED TO IN SUBSECTION (3) OF THIS SECTION, SECTION 7-58-305 (1), OR SECTION 7-58-305

(3).

(3) THE MATTERS REFERRED TO IN THIS SUBSECTION (3) MAY BE VARIED ONLY IN THE ARTICLES. THE ARTICLES MAY:

(a) STATE A TERM OF DURATION, LESS THAN PERPETUAL, OF THE LIMITED COOPERATIVE ASSOCIATION UNDER SECTION 7-58-106 (1);

(b) LIMIT OR ELIMINATE THE ACCEPTANCE OF NEW OR ADDITIONAL MEMBERS BY THE INITIAL BOARD OF DIRECTORS UNDER SECTION 7-58-304 (2);

(c) VARY THE PERCENTAGE OF VOTES REQUIRED FOR MEMBERS TO APPROVE AN AMENDMENT TO THE ARTICLES UNDER SECTION 7-58-405;

(d) VARY THE LIMITATIONS ON THE OBLIGATIONS AND LIABILITY OF MEMBERS FOR ASSOCIATION OBLIGATIONS UNDER SECTION 7-58-504;

(e) REQUIRE A NOTICE OF AN ANNUAL MEMBERS MEETING TO STATE A PURPOSE OF THE MEETING UNDER SECTION 7-58-508 (2);

(f) PROVIDE FOR LESS THAN UNANIMOUS CONSENT TO ACTION BY MEMBERS WITHOUT A MEMBERS MEETING UNDER SECTION 7-58-516 (1) (a);

(g) VARY THE MATTERS THE BOARD OF DIRECTORS MAY CONSIDER IN MAKING A DECISION UNDER SECTION 7-58-820;

(h) SPECIFY CAUSES OF DISSOLUTION UNDER SECTION 7-58-1202 (1);

(i) DELEGATE AMENDMENT OF THE BYLAWS TO THE BOARD OF DIRECTORS PURSUANT TO SECTION 7-58-405 (6);

(j) PROVIDE FOR MEMBER APPROVAL OF ASSET DISPOSITIONS UNDER SECTION 7-58-1501;

(k) SUBJECT TO SECTION 7-58-820, PROVIDE FOR THE ELIMINATION OR LIMITATION OF LIABILITY OF A DIRECTOR TO THE ASSOCIATION OR ITS MEMBERS FOR MONEY DAMAGES PURSUANT TO SECTION 7-58-818; AND

(l) PROVIDE FOR PERMITTING OR REQUIRING INDEMNIFICATION UNDER SECTION 7-58-901 (1).

7-58-304. Organization of limited cooperative association. (1) AFTER A LIMITED COOPERATIVE ASSOCIATION IS FORMED:

(a) IF INITIAL DIRECTORS ARE NAMED IN THE ARTICLES, THE INITIAL DIRECTORS SHALL HOLD AN ORGANIZATIONAL MEETING TO ADOPT INITIAL BYLAWS AND CARRY ON ANY OTHER BUSINESS NECESSARY OR PROPER TO COMPLETE THE ORGANIZATION OF THE ASSOCIATION; OR

(b) IF INITIAL DIRECTORS ARE NOT NAMED IN THE ARTICLES, THE ORGANIZERS SHALL DESIGNATE THE INITIAL DIRECTORS AND CALL A MEETING OF THE INITIAL

DIRECTORS TO ADOPT INITIAL BYLAWS AND CARRY ON ANY OTHER BUSINESS NECESSARY OR PROPER TO COMPLETE THE ORGANIZATION OF THE ASSOCIATION.

(2) UNLESS THE ARTICLES OTHERWISE PROVIDE, THE INITIAL DIRECTORS MAY CAUSE THE LIMITED COOPERATIVE ASSOCIATION TO ACCEPT MEMBERS, INCLUDING THOSE NECESSARY FOR THE ASSOCIATION TO BEGIN BUSINESS.

(3) INITIAL DIRECTORS NEED NOT BE MEMBERS.

(4) AN INITIAL DIRECTOR SERVES UNTIL A SUCCESSOR IS ELECTED AND QUALIFIED AT A MEMBERS MEETING OR THE DIRECTOR IS REMOVED, RESIGNS, IS ADJUDGED INCOMPETENT, OR DIES.

7-58-305. Bylaws. (1) BYLAWS SHALL BE IN A RECORD AND, IF NOT STATED IN THE ARTICLES, SHALL INCLUDE:

(a) A STATEMENT OF THE CAPITAL STRUCTURE OF THE LIMITED COOPERATIVE ASSOCIATION, INCLUDING:

(I) THE CLASSES OR OTHER TYPES OF MEMBERS' INTERESTS AND RELATIVE RIGHTS, PREFERENCES, AND RESTRICTIONS GRANTED TO OR IMPOSED UPON EACH CLASS OR OTHER TYPE OF MEMBER'S INTEREST; AND

(II) THE RIGHTS TO SHARE IN PROFITS OR DISTRIBUTIONS OF THE ASSOCIATION;

(b) A STATEMENT OF THE METHOD FOR ADMISSION OF MEMBERS;

(c) A STATEMENT DESIGNATING VOTING AND OTHER GOVERNANCE RIGHTS, INCLUDING WHICH MEMBERS HAVE VOTING POWER AND ANY RESTRICTION ON VOTING POWER;

(d) A STATEMENT THAT A MEMBER'S INTEREST IS TRANSFERABLE, IF IT IS TO BE TRANSFERABLE, AND A STATEMENT OF THE CONDITIONS UPON WHICH IT MAY BE TRANSFERRED;

(e) A STATEMENT CONCERNING THE MANNER IN WHICH PROFITS AND LOSSES ARE ALLOCATED AND DISTRIBUTIONS ARE MADE AMONG PATRON MEMBERS AND, IF INVESTOR MEMBERS ARE AUTHORIZED, THE MANNER IN WHICH PROFITS AND LOSSES ARE ALLOCATED AND HOW DISTRIBUTIONS ARE MADE AMONG INVESTOR MEMBERS AND BETWEEN PATRON MEMBERS AND INVESTOR MEMBERS;

(f) A STATEMENT CONCERNING:

(I) WHETHER PERSONS THAT ARE NOT MEMBERS BUT CONDUCT BUSINESS WITH THE ASSOCIATION MAY BE PERMITTED TO SHARE IN ALLOCATIONS OF PROFITS AND LOSSES AND RECEIVE DISTRIBUTIONS; AND

(II) THE MANNER IN WHICH PROFITS AND LOSSES ARE ALLOCATED AND DISTRIBUTIONS ARE MADE WITH RESPECT TO THOSE PERSONS; AND

(g) A STATEMENT OF THE NUMBER AND TERMS OF DIRECTORS OR THE METHOD BY

WHICH THE NUMBER AND TERMS ARE DETERMINED.

(2) SUBJECT TO SUBSECTION (3) OF THIS SECTION AND THE ARTICLES, BYLAWS MAY CONTAIN ANY OTHER PROVISION FOR MANAGING AND REGULATING THE AFFAIRS OF THE ASSOCIATION.

(3) THE MATTERS REFERRED TO IN THIS SUBSECTION (3) MAY BE VARIED ONLY IN THE BYLAWS, IN THE ARTICLES, OR IN THE BYLAWS AND THE ARTICLES. THE BYLAWS MAY:

(a) REQUIRE MORE INFORMATION TO BE MAINTAINED UNDER SECTION 7-58-112 OR PROVIDED TO MEMBERS UNDER SECTION 7-58-505 (11);

(b) PROVIDE RESTRICTIONS ON TRANSACTIONS BETWEEN A MEMBER AND AN ASSOCIATION UNDER SECTION 7-58-113;

(c) PROVIDE FOR THE PERCENTAGE AND MANNER OF VOTING ON AMENDMENTS TO THE ARTICLES AND BYLAWS BY DISTRICT, CLASS, OR VOTING GROUP UNDER SECTION 7-58-404 (1);

(d) PROVIDE FOR THE PERCENTAGE VOTE REQUIRED TO AMEND THE BYLAWS CONCERNING THE ADMISSION OF NEW MEMBERS UNDER SECTION 7-58-405 (5) (e);

(e) PROVIDE FOR TERMS AND CONDITIONS TO BECOME A MEMBER UNDER SECTION 7-58-502;

(f) RESTRICT THE MANNER OF CONDUCTING MEMBERS MEETINGS UNDER SECTIONS 7-58-506 (3) AND 7-58-507 (5);

(g) DESIGNATE THE PRESIDING OFFICER OF MEMBERS MEETINGS UNDER SECTIONS 7-58-506 (5) AND 7-58-507 (7);

(h) REQUIRE A STATEMENT OF PURPOSES IN THE ANNUAL MEETING NOTICE UNDER SECTION 7-58-508 (2);

(i) INCREASE QUORUM REQUIREMENTS FOR MEMBERS MEETINGS UNDER SECTION 7-58-510 AND BOARD OF DIRECTORS MEETINGS UNDER SECTION 7-58-815;

(j) ALLOCATE VOTING POWER AMONG MEMBERS, INCLUDING PATRON MEMBERS AND INVESTOR MEMBERS, AND PROVIDE FOR THE MANNER OF MEMBER VOTING AND ACTION AS PERMITTED BY SECTIONS 7-58-511 TO 7-58-517;

(k) AUTHORIZE INVESTOR MEMBERS AND EXPAND OR RESTRICT THE TRANSFERABILITY OF MEMBERS' INTERESTS TO THE EXTENT PROVIDED IN SECTIONS 7-58-602 TO 7-58-604;

(l) PROVIDE FOR ENFORCEMENT OF A MARKETING CONTRACT UNDER SECTION 7-58-704 (1);

(m) PROVIDE FOR QUALIFICATION, ELECTION, TERMS, REMOVAL, FILLING VACANCIES, AND MEMBER APPROVAL FOR COMPENSATION OF DIRECTORS IN

ACCORDANCE WITH SECTIONS 7-58-803 TO 7-58-805, 7-58-807, 7-58-809, AND 7-58-810;

(n) RESTRICT THE MANNER OF CONDUCTING BOARD MEETINGS AND TAKING ACTION WITHOUT A MEETING UNDER SECTIONS 7-58-811 AND 7-58-812;

(o) PROVIDE FOR FREQUENCY, LOCATION, NOTICE, AND WAIVERS OF NOTICE FOR BOARD MEETINGS UNDER SECTIONS 7-58-813 AND 7-58-814;

(p) INCREASE THE PERCENTAGE OF VOTES NECESSARY FOR BOARD ACTION UNDER SECTION 7-58-816 (2);

(q) PROVIDE FOR THE CREATION OF COMMITTEES OF THE BOARD OF DIRECTORS AND MATTERS RELATED TO THE COMMITTEES IN ACCORDANCE WITH SECTION 7-58-817;

(r) PROVIDE FOR OFFICERS AND THEIR APPOINTMENT, DESIGNATION, AND AUTHORITY UNDER SECTION 7-58-822;

(s) PROVIDE FOR FORMS AND VALUES OF CONTRIBUTIONS UNDER SECTION 7-58-1002;

(t) PROVIDE FOR REMEDIES FOR FAILURE TO MAKE A CONTRIBUTION UNDER SECTION 7-58-1003;

(u) PROVIDE FOR THE ALLOCATION OF PROFITS AND LOSSES OF THE ASSOCIATION, DISTRIBUTIONS, AND THE REDEMPTION OR REPURCHASE OF DISTRIBUTED PROPERTY OTHER THAN MONEY IN ACCORDANCE WITH SECTIONS 7-58-1004 TO 7-58-1007;

(v) SPECIFY WHEN A MEMBER'S DISSOCIATION IS WRONGFUL AND THE LIABILITY INCURRED BY THE DISSOCIATING MEMBER FOR DAMAGE TO THE ASSOCIATION UNDER SECTION 7-58-1101 (2) AND (3);

(w) PROVIDE THE PERSONAL REPRESENTATIVE, OR OTHER LEGAL REPRESENTATIVE OF, A DECEASED MEMBER OR A MEMBER ADJUDGED INCOMPETENT WITH ADDITIONAL RIGHTS UNDER SECTION 7-58-1103;

(x) INCREASE THE PERCENTAGE OF VOTES REQUIRED FOR BOARD OF DIRECTOR APPROVAL OF:

(I) A RESOLUTION TO DISSOLVE UNDER SECTION 7-58-1205;

(II) A PROPOSED AMENDMENT TO THE ARTICLES OR BYLAWS UNDER SECTION 7-58-402 (1) (a);

(III) A PLAN OF CONVERSION UNDER SECTION 7-58-1603 (1);

(IV) A PLAN OF MERGER UNDER SECTION 7-58-1607 (1); AND

(V) A PROPOSED DISPOSITION OF ASSETS UNDER SECTION 7-58-1503 (1); AND

(y) VARY THE PERCENTAGE OF VOTES REQUIRED FOR MEMBERS' APPROVAL OF:

- (I) A RESOLUTION TO DISSOLVE UNDER SECTION 7-58-1205;
- (II) AN AMENDMENT TO THE BYLAWS UNDER SECTION 7-58-405;
- (III) A PLAN OF CONVERSION UNDER SECTION 7-58-1603;
- (IV) A PLAN OF MERGER UNDER SECTION 7-58-1608; AND
- (V) A DISPOSITION OF ASSETS UNDER SECTION 7-58-1504.

(4) IN ADDITION TO AMENDMENTS PERMITTED UNDER PART 4 OF THIS ARTICLE, THE INITIAL BOARD OF DIRECTORS MAY AMEND THE BYLAWS BY A MAJORITY VOTE OF THE DIRECTORS AT ANY TIME BEFORE THE ADMISSION OF MEMBERS.

7-58-306. Required provision for members' contributions. THE ARTICLES OR THE BYLAWS SHALL ADDRESS MEMBERS' CONTRIBUTIONS PURSUANT TO SECTION 7-58-1001.

PART 4
AMENDMENT OF ARTICLES AND BYLAWS OF
LIMITED COOPERATIVE ASSOCIATIONS

7-58-401. Authority to amend articles and bylaws. (1) A LIMITED COOPERATIVE ASSOCIATION MAY AMEND ITS ARTICLES AND BYLAWS UNDER THIS PART 4 FOR ANY LAWFUL PURPOSE. IN ADDITION, THE INITIAL BOARD OF DIRECTORS MAY AMEND THE BYLAWS OF AN ASSOCIATION UNDER SECTION 7-58-304.

(2) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, A MEMBER DOES NOT HAVE A VESTED PROPERTY RIGHT RESULTING FROM ANY PROVISION IN THE ARTICLES OR BYLAWS, INCLUDING A PROVISION RELATING TO THE MANAGEMENT, CONTROL, CAPITAL STRUCTURE, DISTRIBUTION, ENTITLEMENT, PURPOSE, OR DURATION OF THE LIMITED COOPERATIVE ASSOCIATION.

7-58-402. Notice and action on amendment of articles and bylaws. (1) EXCEPT AS PROVIDED IN THIS SUBSECTION (1) AND SECTION 7-58-405 (6), THE ARTICLES AND BYLAWS OF A LIMITED COOPERATIVE ASSOCIATION MAY BE AMENDED ONLY AT A MEMBERS MEETING. AN AMENDMENT REQUIRING MEMBERSHIP APPROVAL MAY BE PROPOSED BY EITHER:

(a) A MAJORITY OF THE BOARD OF DIRECTORS, OR A GREATER PERCENTAGE IF REQUIRED BY THE ARTICLES OR BYLAWS; OR

(b) ONE OR MORE PETITIONS SIGNED BY AT LEAST TEN PERCENT OF THE PATRON MEMBERS OR AT LEAST TEN PERCENT OF THE INVESTOR MEMBERS.

(2) THE BOARD OF DIRECTORS SHALL CALL A MEMBERS MEETING TO CONSIDER AN AMENDMENT PROPOSED PURSUANT TO SUBSECTION (1) OF THIS SECTION. THE MEETING SHALL BE HELD NOT LATER THAN NINETY DAYS FOLLOWING THE PROPOSAL OF THE AMENDMENT BY THE BOARD OR RECEIPT OF A PETITION OR PETITIONS

SATISFYING THE REQUIREMENTS OF THIS SECTION. THE BOARD SHALL MAIL OR OTHERWISE TRANSMIT OR DELIVER IN A RECORD TO EACH MEMBER:

(a) THE PROPOSED AMENDMENT, OR A SUMMARY OF THE PROPOSED AMENDMENT AND A STATEMENT OF THE MANNER IN WHICH A COPY OF THE AMENDMENT IN A RECORD MAY BE REASONABLY OBTAINED BY A MEMBER;

(b) A RECOMMENDATION THAT THE MEMBERS APPROVE THE AMENDMENT, OR, IF THE BOARD DETERMINES THAT BECAUSE OF CONFLICT OF INTEREST OR ANY OTHER REASON IT SHOULD NOT MAKE A FAVORABLE RECOMMENDATION, THE BASIS FOR THAT DETERMINATION;

(c) A STATEMENT OF ANY CONDITION OF THE BOARD'S SUBMISSION OF THE AMENDMENT TO THE MEMBERS; AND

(d) NOTICE OF THE MEETING AT WHICH THE PROPOSED AMENDMENT WILL BE CONSIDERED, WHICH SHALL BE GIVEN IN THE SAME MANNER AS NOTICE FOR A SPECIAL MEETING OF MEMBERS.

7-58-403. Method of voting on amendment of articles and bylaws. (1) A SUBSTANTIVE CHANGE TO A PROPOSED AMENDMENT OF THE ARTICLES OR BYLAWS MAY NOT BE MADE AT THE MEMBERS MEETING AT WHICH A VOTE ON THE AMENDMENT OCCURS.

(2) A NONSUBSTANTIVE CHANGE TO A PROPOSED AMENDMENT OF THE ARTICLES OR BYLAWS MAY BE MADE AT THE MEMBERS MEETING AT WHICH THE VOTE ON THE AMENDMENT OCCURS AND NEED NOT BE SEPARATELY VOTED UPON BY THE BOARD OF DIRECTORS.

(3) A VOTE TO ADOPT A NONSUBSTANTIVE CHANGE TO A PROPOSED AMENDMENT TO THE ARTICLES OR BYLAWS SHALL BE BY THE SAME PERCENTAGE OF VOTES REQUIRED TO PASS A PROPOSED AMENDMENT.

7-58-404. Voting by district, class, or voting group. (1) THIS SECTION APPLIES IF THE ARTICLES OR BYLAWS PROVIDE FOR VOTING BY DISTRICT OR CLASS, OR IF THERE IS ONE OR MORE IDENTIFIABLE VOTING GROUPS THAT A PROPOSED AMENDMENT TO THE ARTICLES OR BYLAWS WOULD AFFECT DIFFERENTLY FROM OTHER MEMBERS WITH RESPECT TO MATTERS IDENTIFIED IN SECTION 7-58-405 (1). APPROVAL OF THE AMENDMENT REQUIRES THE SAME PERCENTAGE OF VOTES OF THE MEMBERS OF THAT DISTRICT, CLASS, OR VOTING GROUP REQUIRED IN SECTIONS 7-58-405 AND 7-58-514.

(2) IF A PROPOSED AMENDMENT TO THE ARTICLES OR BYLAWS WOULD AFFECT MEMBERS IN TWO OR MORE DISTRICTS OR CLASSES ENTITLED TO VOTE SEPARATELY UNDER SUBSECTION (1) OF THIS SECTION IN THE SAME OR A SUBSTANTIALLY SIMILAR WAY, THE DISTRICTS OR CLASSES AFFECTED SHALL VOTE AS A SINGLE VOTING GROUP UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE FOR SEPARATE VOTING.

7-58-405. Approval of amendment. (1) SUBJECT TO SECTION 7-58-404 AND SUBSECTIONS (3) AND (4) OF THIS SECTION, AN AMENDMENT TO THE ARTICLES MUST BE APPROVED BY:

(a) AT LEAST A MAJORITY VOTE OF THE VOTING POWER OF ALL MEMBERS PRESENT AT A MEMBERS MEETING CALLED UNDER SECTION 7-58-402, UNLESS THE ARTICLES REQUIRE A GREATER PERCENTAGE; AND

(b) IF THE LIMITED COOPERATIVE ASSOCIATION HAS INVESTOR MEMBERS, AT LEAST A MAJORITY OF THE VOTES CAST BY PATRON MEMBERS, UNLESS THE ARTICLES REQUIRE A GREATER PERCENTAGE VOTE BY PATRON MEMBERS.

(2) SUBJECT TO SECTION 7-58-404 AND SUBSECTIONS (3), (4), (5), AND (6) OF THIS SECTION, AN AMENDMENT TO THE BYLAWS MUST BE APPROVED BY:

(a) AT LEAST A MAJORITY VOTE OF THE VOTING POWER OF ALL MEMBERS PRESENT AT A MEMBERS MEETING CALLED UNDER SECTION 7-58-402, UNLESS THE ARTICLES OR BYLAWS REQUIRE A GREATER PERCENTAGE; AND

(b) IF A LIMITED COOPERATIVE ASSOCIATION HAS INVESTOR MEMBERS, A MAJORITY OF THE VOTES CAST BY PATRON MEMBERS, UNLESS THE ARTICLES OR BYLAWS REQUIRE A LARGER AFFIRMATIVE VOTE BY PATRON MEMBERS.

(3) THE ARTICLES MAY REQUIRE THAT THE PERCENTAGE OF VOTES REQUIRED UNDER PARAGRAPH (a) OF SUBSECTION (1) OF THIS SECTION, OR THE ARTICLES OR BYLAWS MAY REQUIRE THAT THE PERCENTAGE OF VOTES REQUIRED UNDER PARAGRAPH (a) OF SUBSECTION (2) OF THIS SECTION, BE:

(a) A DIFFERENT PERCENTAGE THAT IS NOT LESS THAN A MAJORITY OF MEMBERS VOTING AT THE MEETING;

(b) MEASURED AGAINST THE VOTING POWER OF ALL MEMBERS; OR

(c) A COMBINATION OF PARAGRAPHS (a) AND (b) OF THIS SUBSECTION (3).

(4) CONSENT IN A RECORD BY A MEMBER SHALL BE DELIVERED TO A LIMITED COOPERATIVE ASSOCIATION BEFORE DELIVERY OF AN AMENDMENT TO THE ARTICLES OR RESTATED ARTICLES FOR FILING PURSUANT TO SECTION 7-58-407, OR BEFORE OR AT THE SAME TIME AS A MEMBERS VOTE IS TAKEN ON AN AMENDMENT TO THE BYLAWS OR ADOPTION OF RESTATED BYLAWS SUBMITTED TO MEMBERS FOR A VOTE, IF, AS A RESULT OF THE AMENDMENT OR RESTATEMENT:

(a) THE MEMBER WILL HAVE:

(I) PERSONAL LIABILITY FOR AN OBLIGATION OF THE ASSOCIATION; OR

(II) AN OBLIGATION OR LIABILITY FOR AN ADDITIONAL CONTRIBUTION; OR

(b) THE RELATIVE RIGHTS OF THE MEMBER IN THE ASSOCIATION WILL BE ADVERSELY AFFECTED OR DIMINISHED BY THE AMENDMENT.

(5) THE VOTE REQUIRED TO AMEND BYLAWS MUST SATISFY THE REQUIREMENTS OF SUBSECTION (1) OF THIS SECTION IF THE PROPOSED AMENDMENT MODIFIES:

(a) THE EQUITY CAPITAL STRUCTURE OF THE LIMITED COOPERATIVE ASSOCIATION,

INCLUDING THE RIGHTS OF THE ASSOCIATION'S MEMBERS TO SHARE IN PROFITS OR DISTRIBUTIONS, OR THE RELATIVE RIGHTS, PREFERENCES, AND RESTRICTIONS GRANTED TO OR IMPOSED UPON ONE OR MORE DISTRICTS, CLASSES, OR VOTING GROUPS OF SIMILARLY SITUATED MEMBERS;

(b) THE TRANSFERABILITY OF A MEMBER'S INTEREST;

(c) THE MANNER OR METHOD OF ALLOCATION OF PROFITS OR LOSSES AMONG MEMBERS;

(d) THE QUORUM FOR A MEETING AND THE RIGHTS OF VOTING AND GOVERNANCE;
OR

(e) UNLESS OTHERWISE PROVIDED IN THE ARTICLES OR BYLAWS, THE TERMS FOR ADMISSION OF NEW MEMBERS.

(6) EXCEPT FOR THE MATTERS DESCRIBED IN SUBSECTION (5) OF THIS SECTION, THE ARTICLES MAY DELEGATE AMENDMENT OF ALL OR A PART OF THE BYLAWS TO THE BOARD OF DIRECTORS WITHOUT REQUIRING MEMBER APPROVAL.

(7) IF THE ARTICLES DELEGATE AMENDMENT OF BYLAWS TO THE BOARD OF DIRECTORS, THE BOARD SHALL PROVIDE A DESCRIPTION OF ANY AMENDMENT OF THE BYLAWS MADE BY THE BOARD TO THE MEMBERS IN A RECORD NOT LATER THAN THIRTY DAYS AFTER THE AMENDMENT, BUT THE DESCRIPTION MAY BE PROVIDED AT THE NEXT ANNUAL MEMBERS MEETING IF THE MEETING IS HELD WITHIN THE THIRTY-DAY PERIOD.

7-58-406. Restated articles. (1) THE BOARD OF DIRECTORS MAY RESTATE THE ARTICLES AT ANY TIME WITH OR WITHOUT ACTION BY THE MEMBERS. IF THE LIMITED COOPERATIVE ASSOCIATION DOES NOT HAVE BOTH MEMBERS AND DIRECTORS, ITS ORGANIZERS MAY RESTATE THE ARTICLES AT ANY TIME.

(2) THE RESTATEMENT MAY INCLUDE ONE OR MORE AMENDMENTS TO THE ARTICLES. IF THE RESTATEMENT INCLUDES AN AMENDMENT REQUIRING APPROVAL OF THE MEMBERS, IT MUST BE APPROVED IN THE SAME MANNER AS AN AMENDMENT TO THE ARTICLES UNDER SECTION 7-58-405 (1).

(3) IF THE BOARD OF DIRECTORS SUBMITS A RESTATEMENT FOR ACTION BY THE MEMBERS, THE BOARD SHALL CALL A MEETING OF MEMBERS AND MAIL OR OTHERWISE TRANSMIT OR DELIVER IN A RECORD THE INFORMATION AND GIVE NOTICE OF THE MEETING IN ACCORDANCE WITH SECTION 7-58-402 (2) TO EACH MEMBER ENTITLED TO VOTE ON THE RESTATEMENT. THE COPY OF THE RESTATEMENT PROVIDED TO MEMBERS MUST IDENTIFY ANY AMENDMENT OR OTHER CHANGE THE RESTATEMENT WOULD MAKE IN THE ARTICLES.

(4) A LIMITED COOPERATIVE ASSOCIATION RESTATING ITS ARTICLES SHALL DELIVER TO THE SECRETARY OF STATE, FOR FILING PURSUANT TO PART 3 OF ARTICLE 90 OF THIS TITLE, ARTICLES OF RESTATEMENT STATING:

(a) THE DOMESTIC ENTITY NAME OF THE ASSOCIATION;

(b) THE TEXT OF THE RESTATED ARTICLES; AND

(c) IF THE RESTATEMENT WAS ADOPTED BY THE BOARD OF DIRECTORS OR ORGANIZERS WITHOUT MEMBER ACTION, A STATEMENT TO THAT EFFECT AND THAT MEMBER ACTION WAS NOT REQUIRED.

(5) UPON FILING BY THE SECRETARY OF STATE OR AT ANY LATER EFFECTIVE DATE DETERMINED PURSUANT TO SECTION 7-90-304, RESTATED ARTICLES SUPERSEDE THE ORIGINAL ARTICLES AND ALL PRIOR AMENDMENTS TO THEM.

7-58-407. Amendment of articles - filing. (1) A LIMITED COOPERATIVE ASSOCIATION AMENDING ITS ARTICLES SHALL DELIVER TO THE SECRETARY OF STATE, FOR FILING PURSUANT TO PART 3 OF ARTICLE 90 OF THIS TITLE, ARTICLES OF AMENDMENT STATING:

(a) THE DOMESTIC NAME OF THE ASSOCIATION; AND

(b) THE TEXT OF EACH AMENDMENT ADOPTED.

(2) BEFORE THE BEGINNING OF THE INITIAL MEETING OF THE BOARD OF DIRECTORS, AN ORGANIZER WHO KNOWS THAT INFORMATION IN THE FILED ARTICLES WAS INACCURATE WHEN THE ARTICLES WERE FILED OR HAS BECOME INACCURATE DUE TO CHANGED CIRCUMSTANCES SHALL PROMPTLY:

(a) CAUSE THE ARTICLES TO BE AMENDED; AND

(b) IF APPROPRIATE, DELIVER A STATEMENT OF:

(I) CHANGE TO THE SECRETARY OF STATE FOR FILING PURSUANT TO SECTION 7-90-305.5; OR

(II) CORRECTION TO THE SECRETARY OF STATE FOR FILING PURSUANT TO SECTION 7-90-305.

(3) UPON FILING, AN AMENDMENT OF THE ARTICLES THAT HAS BEEN PROPERLY ADOPTED BY THE MEMBERS IS EFFECTIVE AS PROVIDED IN SECTION 7-90-304.

PART 5 MEMBERS

7-58-501. Members. TO BEGIN BUSINESS, A LIMITED COOPERATIVE ASSOCIATION MUST HAVE AT LEAST TWO PATRON MEMBERS UNLESS THE SOLE MEMBER IS A COOPERATIVE.

7-58-502. Becoming a member. (1) A PERSON BECOMES A MEMBER:

(a) AS PROVIDED IN THE ARTICLES OR BYLAWS;

(b) AS THE RESULT OF A MERGER OR CONVERSION UNDER PART 16 OF THIS ARTICLE; OR

(c) WITH THE CONSENT OF ALL THE MEMBERS.

7-58-503. No power as member to bind association. A MEMBER, SOLELY BY REASON OF BEING A MEMBER, MAY NOT ACT FOR OR BIND THE LIMITED COOPERATIVE ASSOCIATION.

7-58-504. No liability as member for association's obligations. UNLESS THE ARTICLES OTHERWISE PROVIDE, A DEBT, OBLIGATION, OR OTHER LIABILITY OF A LIMITED COOPERATIVE ASSOCIATION IS SOLELY THAT OF THE ASSOCIATION AND IS NOT THE DEBT, OBLIGATION, OR LIABILITY OF A MEMBER SOLELY BY REASON OF BEING A MEMBER.

7-58-505. Right of member and former member to information. (1) NOT LATER THAN TEN BUSINESS DAYS AFTER RECEIPT OF A DEMAND MADE IN A RECORD, A LIMITED COOPERATIVE ASSOCIATION SHALL PERMIT A MEMBER TO OBTAIN, INSPECT, AND COPY IN THE ASSOCIATION'S PRINCIPAL OFFICE REQUIRED INFORMATION LISTED IN SECTION 7-58-112 (1) (a) TO (1) (f) DURING REGULAR BUSINESS HOURS. A MEMBER NEED NOT HAVE ANY PARTICULAR PURPOSE FOR SEEKING THE INFORMATION. THE ASSOCIATION IS NOT REQUIRED TO PROVIDE THE INFORMATION LISTED IN SECTION 7-58-112 (1) (b) TO (1) (f) TO THE SAME MEMBER MORE THAN ONCE DURING A SIX-MONTH PERIOD.

(2) ON DEMAND MADE IN A RECORD RECEIVED BY THE LIMITED COOPERATIVE ASSOCIATION, A MEMBER MAY OBTAIN, INSPECT, AND COPY IN THE ASSOCIATION'S PRINCIPAL OFFICE REQUIRED INFORMATION LISTED IN SECTION 7-58-112 (1) (g), (1) (h), (1) (j), AND (1) (o) DURING REGULAR BUSINESS HOURS, IF:

(a) THE MEMBER SEEKS THE INFORMATION IN GOOD FAITH AND FOR A PROPER PURPOSE REASONABLY RELATED TO THE MEMBER'S INTEREST;

(b) THE DEMAND INCLUDES A DESCRIPTION, WITH REASONABLE PARTICULARITY, OF THE INFORMATION SOUGHT AND THE PURPOSE FOR SEEKING THE INFORMATION;

(c) THE INFORMATION SOUGHT IS DIRECTLY CONNECTED TO THE MEMBER'S PURPOSE; AND

(d) THE DEMAND IS OTHERWISE REASONABLE.

(3) NOT LATER THAN TEN BUSINESS DAYS AFTER RECEIPT OF A DEMAND PURSUANT TO SUBSECTION (2) OF THIS SECTION, A LIMITED COOPERATIVE ASSOCIATION SHALL PROVIDE, IN A RECORD, THE FOLLOWING INFORMATION TO THE MEMBER THAT MADE THE DEMAND:

(a) IF THE ASSOCIATION AGREES TO PROVIDE THE DEMANDED INFORMATION:

(I) WHAT INFORMATION THE ASSOCIATION WILL PROVIDE IN RESPONSE TO THE DEMAND; AND

(II) A REASONABLE TIME AND REASONABLE PLACE AT WHICH THE ASSOCIATION WILL PROVIDE THE INFORMATION; OR

(b) IF THE ASSOCIATION DECLINES TO PROVIDE SOME OR ALL OF THE DEMANDED INFORMATION, THE ASSOCIATION'S REASONS FOR DECLINING.

(4) A PERSON DISSOCIATED AS A MEMBER MAY OBTAIN, INSPECT, AND COPY INFORMATION AVAILABLE TO A MEMBER UNDER SUBSECTION (1) OR (2) OF THIS SECTION BY DELIVERING A DEMAND IN A RECORD TO THE LIMITED COOPERATIVE ASSOCIATION, IN THE SAME MANNER AND SUBJECT TO THE SAME CONDITIONS APPLICABLE TO A MEMBER UNDER SUBSECTION (2) OF THIS SECTION, IF:

(a) THE INFORMATION PERTAINS TO THE PERIOD DURING WHICH THE PERSON WAS A MEMBER IN THE ASSOCIATION; AND

(b) THE PERSON SEEKS THE INFORMATION IN GOOD FAITH.

(5) A LIMITED COOPERATIVE ASSOCIATION SHALL RESPOND TO A DEMAND MADE PURSUANT TO SUBSECTION (4) OF THIS SECTION IN THE MANNER PROVIDED IN SUBSECTION (3) OF THIS SECTION.

(6) NOT LATER THAN TEN BUSINESS DAYS AFTER RECEIPT BY A LIMITED COOPERATIVE ASSOCIATION OF A DEMAND MADE BY A MEMBER IN A RECORD, BUT NOT MORE OFTEN THAN ONCE IN A SIX-MONTH PERIOD, THE ASSOCIATION SHALL DELIVER TO THE MEMBER A RECORD STATING THE INFORMATION WITH RESPECT TO THE MEMBER REQUIRED BY SECTION 7-58-112 (1) (n).

(7) A LIMITED COOPERATIVE ASSOCIATION MAY IMPOSE REASONABLE RESTRICTIONS, INCLUDING NONDISCLOSURE RESTRICTIONS, ON THE USE OF INFORMATION OBTAINED UNDER THIS SECTION. IN A DISPUTE CONCERNING THE REASONABLENESS OF A RESTRICTION UNDER THIS SUBSECTION (7), THE ASSOCIATION HAS THE BURDEN OF PROVING REASONABLENESS.

(8) A LIMITED COOPERATIVE ASSOCIATION MAY CHARGE A PERSON THAT MAKES A DEMAND UNDER THIS SECTION REASONABLE COSTS OF COPYING, LIMITED TO THE COSTS OF EQUIPMENT, LABOR, AND MATERIAL.

(9) A PERSON THAT MAY OBTAIN INFORMATION UNDER THIS SECTION MAY OBTAIN THE INFORMATION THROUGH AN ATTORNEY OR OTHER AGENT. A RESTRICTION IMPOSED ON THE PERSON UNDER SUBSECTION (7) OF THIS SECTION OR BY THE ARTICLES OR BYLAWS APPLIES TO THE ATTORNEY OR OTHER AGENT.

(10) THE RIGHTS STATED IN THIS SECTION DO NOT EXTEND TO A PERSON AS TRANSFEREE.

(11) THE ARTICLES OR BYLAWS MAY REQUIRE A LIMITED COOPERATIVE ASSOCIATION TO PROVIDE MORE INFORMATION THAN REQUIRED BY THIS SECTION AND MAY ESTABLISH CONDITIONS AND PROCEDURES FOR PROVIDING THE INFORMATION.

7-58-506. Annual meeting of members. (1) MEMBERS SHALL MEET ANNUALLY AT A TIME PROVIDED IN THE ARTICLES OR BYLAWS OR SET BY THE BOARD OF DIRECTORS NOT INCONSISTENT WITH THE ARTICLES AND BYLAWS.

(2) AN ANNUAL MEMBERS MEETING MAY BE HELD INSIDE OR OUTSIDE THIS STATE AT THE PLACE STATED IN THE ARTICLES OR BYLAWS OR SELECTED BY THE BOARD OF DIRECTORS NOT INCONSISTENT WITH THE ARTICLES AND BYLAWS.

(3) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, MEMBERS MAY ATTEND OR CONDUCT AN ANNUAL MEMBERS MEETING THROUGH ANY MEANS OF COMMUNICATION IF ALL MEMBERS ATTENDING THE MEETING CAN COMMUNICATE WITH EACH OTHER DURING THE MEETING.

(4) THE BOARD OF DIRECTORS SHALL REPORT, OR CAUSE TO BE REPORTED, AT THE ASSOCIATION'S ANNUAL MEMBERS MEETING THE ASSOCIATION'S BUSINESS AND FINANCIAL CONDITION AS OF THE CLOSE OF THE MOST RECENT FISCAL YEAR.

(5) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, THE BOARD OF DIRECTORS SHALL DESIGNATE THE PRESIDING OFFICER OF THE ASSOCIATION'S ANNUAL MEMBERS MEETING.

(6) FAILURE TO HOLD AN ANNUAL MEMBERS MEETING DOES NOT AFFECT THE VALIDITY OF ANY ACTION BY THE LIMITED COOPERATIVE ASSOCIATION.

7-58-507. Special meeting of members. (1) A SPECIAL MEETING OF MEMBERS MAY BE CALLED ONLY:

(a) AS PROVIDED IN THE ARTICLES OR BYLAWS;

(b) BY A MAJORITY VOTE OF THE BOARD OF DIRECTORS ON A PROPOSAL STATING THE PURPOSE OF THE MEETING;

(c) BY DEMAND IN A RECORD SIGNED BY MEMBERS HOLDING AT LEAST TWENTY PERCENT OF THE VOTING POWER OF THE PERSONS IN ANY DISTRICT OR CLASS ENTITLED TO VOTE ON THE MATTER THAT IS THE PURPOSE OF THE MEETING STATED IN THE DEMAND; OR

(d) BY DEMAND IN A RECORD SIGNED BY MEMBERS HOLDING AT LEAST TEN PERCENT OF THE TOTAL VOTING POWER OF ALL THE PERSONS ENTITLED TO VOTE ON THE MATTER THAT IS THE PURPOSE OF THE MEETING STATED IN THE DEMAND.

(2) A DEMAND UNDER PARAGRAPH (c) OR (d) OF SUBSECTION (1) OF THIS SECTION MUST BE SUBMITTED TO THE OFFICER OF THE LIMITED COOPERATIVE ASSOCIATION CHARGED WITH KEEPING ITS RECORDS.

(3) ANY VOTING MEMBER MAY WITHDRAW ITS DEMAND UNDER PARAGRAPH (c) OR (d) OF SUBSECTION (1) OF THIS SECTION BEFORE RECEIPT BY THE LIMITED COOPERATIVE ASSOCIATION OF DEMANDS SUFFICIENT TO REQUIRE A SPECIAL MEETING OF MEMBERS.

(4) A SPECIAL MEETING OF MEMBERS MAY BE HELD INSIDE OR OUTSIDE THIS STATE AT THE PLACE STATED IN THE ARTICLES OR BYLAWS OR SELECTED BY THE BOARD OF DIRECTORS NOT INCONSISTENT WITH THE ARTICLES AND BYLAWS.

(5) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, MEMBERS MAY

ATTEND OR CONDUCT A SPECIAL MEETING OF MEMBERS THROUGH THE USE OF ANY MEANS OF COMMUNICATION IF ALL MEMBERS ATTENDING THE MEETING CAN COMMUNICATE WITH EACH OTHER DURING THE MEETING.

(6) ONLY BUSINESS WITHIN THE PURPOSE OR PURPOSES STATED IN THE NOTICE OF A SPECIAL MEETING OF MEMBERS MAY BE CONDUCTED AT THE MEETING.

(7) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, THE PRESIDING OFFICER OF A SPECIAL MEETING OF MEMBERS SHALL BE DESIGNATED BY THE BOARD OF DIRECTORS.

7-58-508. Notice of members meeting. (1) A LIMITED COOPERATIVE ASSOCIATION SHALL NOTIFY EACH MEMBER OF THE TIME, DATE, AND PLACE OF A MEMBERS MEETING AT LEAST TEN AND NOT MORE THAN SIXTY DAYS BEFORE THE MEETING; EXCEPT THAT, IF THE NOTICE IS OF A MEETING OF THE MEMBERS IN ONE OR MORE DISTRICTS OR CLASSES OF MEMBERS, THE NOTICE SHALL BE GIVEN ONLY TO MEMBERS IN THOSE DISTRICTS OR CLASSES.

(2) UNLESS THIS ARTICLE OR THE ARTICLES OTHERWISE PROVIDE, NOTICE OF AN ANNUAL MEMBERS MEETING NEED NOT INCLUDE ANY PURPOSE OF THE MEETING.

(3) NOTICE OF A SPECIAL MEETING OF MEMBERS SHALL INCLUDE EACH PURPOSE OF THE MEETING AS CONTAINED IN THE DEMAND UNDER SECTION 7-58-507 (1) (c) OR (1) (d) OR AS VOTED UPON BY THE BOARD OF DIRECTORS UNDER SECTION 7-58-507 (1) (b).

(4) NOTICE OF A MEMBERS MEETING SHALL BE GIVEN IN A RECORD UNLESS ORAL NOTICE IS REASONABLE UNDER THE CIRCUMSTANCES.

(5) (a) NOTWITHSTANDING ANY OTHER PROVISION OF THIS SECTION, WHENEVER NOTICE IS REQUIRED TO BE GIVEN UNDER THIS SECTION OR UNDER ANY OTHER PROVISION OF THIS ARTICLE TO ANY MEMBER, SUCH NOTICE SHALL NOT BE REQUIRED TO BE GIVEN TO A MEMBER IF:

(I) NOTICE OF TWO CONSECUTIVE ANNUAL MEETINGS, AND ALL NOTICES OF MEETINGS DURING THE PERIOD BETWEEN THE TWO CONSECUTIVE ANNUAL MEETINGS, HAVE BEEN SENT TO THE MEMBER AT THE MEMBER'S ADDRESS AS SHOWN ON THE RECORDS OF THE LIMITED COOPERATIVE ASSOCIATION AND HAVE BEEN RETURNED UNDELIVERABLE; OR

(II) ALL, BUT NOT LESS THAN TWO, PAYMENTS OF DISTRIBUTIONS DURING A TWELVE-MONTH PERIOD, OR TWO CONSECUTIVE PAYMENTS OF DISTRIBUTIONS DURING A PERIOD OF MORE THAN TWELVE MONTHS, HAVE BEEN SENT TO THE MEMBER AT THE MEMBER'S ADDRESS AS SHOWN ON THE RECORDS OF THE ASSOCIATION AND HAVE BEEN RETURNED UNDELIVERABLE.

(b) IF ANY SUCH MEMBER DELIVERS TO THE ASSOCIATION A NOTICE IN A RECORD SETTING FORTH THE MEMBER'S THEN-CURRENT ADDRESS, THE REQUIREMENT THAT NOTICE BE GIVEN TO THE MEMBER SHALL BE REINSTATED.

7-58-509. Waiver of members meeting notice. (1) A MEMBER MAY WAIVE

NOTICE OF A MEMBERS MEETING BEFORE, DURING, OR AFTER THE MEETING.

(2) A MEMBER'S PARTICIPATION IN A MEMBERS MEETING IS A WAIVER OF NOTICE OF THAT MEETING UNLESS THE MEMBER OBJECTS TO THE MEETING AT THE BEGINNING OF THE MEETING OR PROMPTLY UPON THE MEMBER'S ARRIVAL AT THE MEETING AND DOES NOT THEREAFTER VOTE FOR OR ASSENT TO ACTION TAKEN AT THE MEETING.

7-58-510. Quorum of members. UNLESS THE ARTICLES OR BYLAWS OTHERWISE REQUIRE A DIFFERENT NUMBER OF MEMBERS OR PERCENTAGE OF THE VOTING POWER, A QUORUM FOR CONDUCTING BUSINESS AT ALL MEETINGS OF THE MEMBERS CONSISTS OF FIVE PERCENT OF THE TOTAL NUMBER OF MEMBERS OR THIRTY MEMBERS PRESENT AT THE MEETING, WHICHEVER IS LESS. NOTHING PREVENTS THE ARTICLES OR BYLAWS FROM REQUIRING A GREATER OR LESSER NUMBER OR PERCENTAGE OF MEMBERS, OR MEMBERS OF CLASSES, DISTRICTS, OR VOTING GROUPS AS A QUORUM.

7-58-511. Voting by patron members. EXCEPT AS PROVIDED BY SECTION 7-58-512 (1), EACH PATRON MEMBER HAS ONE VOTE. THE ARTICLES OR BYLAWS MAY ALLOCATE VOTING POWER AMONG PATRON MEMBERS AS PROVIDED IN SECTION 7-58-512 (1).

7-58-512. Determination of voting power of patron member. (1) THE ARTICLES OR BYLAWS MAY ALLOCATE VOTING POWER AMONG PATRON MEMBERS ON THE BASIS OF ONE OR A COMBINATION OF THE FOLLOWING:

(a) ONE MEMBER, ONE VOTE;

(b) USE OR PATRONAGE;

(c) EQUITY; OR

(d) IF A PATRON MEMBER IS A COOPERATIVE, THE NUMBER OF ITS PATRON MEMBERS.

(2) IF THE ARTICLES OR BYLAWS ALLOCATE VOTING POWER ON THE BASIS OF USE OR PATRONAGE AND A MEMBER WOULD BE DENIED A VOTE BECAUSE THE MEMBER DID NOT USE THE LIMITED COOPERATIVE ASSOCIATION OR CONDUCT PATRONAGE WITH IT DURING THE PERIOD ON WHICH THE ALLOCATION OF VOTING POWER IS DETERMINED, THE ARTICLES OR BYLAWS MUST PROVIDE THAT THE MEMBER SHALL NEVERTHELESS BE ALLOCATED A VOTE EQUAL TO AT LEAST THE MINIMUM VOTING POWER ALLOCATED TO MEMBERS WHO USED THE ASSOCIATION OR CONDUCTED PATRONAGE WITH IT DURING THE PERIOD.

(3) THE ARTICLES OR BYLAWS MAY PROVIDE FOR THE ALLOCATION OF PATRON MEMBER VOTING POWER BY DISTRICTS OR CLASS OR ANY COMBINATION THEREOF.

7-58-513. Voting by investor members. IF THE ARTICLES OR BYLAWS PROVIDE FOR INVESTOR MEMBERS, EACH INVESTOR MEMBER HAS ONE VOTE UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE. THE ARTICLES OR BYLAWS MAY PROVIDE FOR THE ALLOCATION OF INVESTOR MEMBER VOTING POWER BY CLASS, CLASSES, OR ANY COMBINATION OF CLASSES.

7-58-514. Voting requirements for members. (1) IF A LIMITED COOPERATIVE ASSOCIATION HAS BOTH PATRON AND INVESTOR MEMBERS, THE FOLLOWING RULES APPLY:

(a) THE TOTAL VOTING POWER OF ALL PATRON MEMBERS MUST NOT BE LESS THAN A MAJORITY OF THE ENTIRE VOTING POWER ENTITLED TO VOTE.

(b) ACTION ON ANY MATTER IS APPROVED ONLY UPON THE AFFIRMATIVE VOTE OF AT LEAST A MAJORITY OF:

(I) ALL MEMBERS VOTING AT THE MEETING UNLESS MORE THAN A MAJORITY IS REQUIRED OR PERMITTED BY PARTS 4, 12, 15, AND 16 OF THIS ARTICLE OR THE ARTICLES OR BYLAWS; AND

(II) VOTES CAST BY PATRON MEMBERS UNLESS THE ARTICLES OR BYLAWS REQUIRE A LARGER AFFIRMATIVE VOTE BY PATRON MEMBERS.

(c) THE ARTICLES OR BYLAWS MAY PROVIDE FOR THE PERCENTAGE OF THE AFFIRMATIVE VOTES THAT MUST BE CAST BY INVESTOR MEMBERS TO APPROVE THE MATTER.

7-58-515. Manner of voting. (1) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, VOTING BY A PROXY AT A MEMBERS MEETING IS PROHIBITED. THIS SUBSECTION (1) DOES NOT PROHIBIT DELEGATE VOTING BASED ON DISTRICT OR CLASS.

(2) IF VOTING BY A PROXY IS PERMITTED, A PATRON MEMBER MAY APPOINT ONLY ANOTHER PATRON MEMBER AS A PROXY AND, IF INVESTOR MEMBERS ARE PERMITTED, AN INVESTOR MEMBER MAY APPOINT ONLY ANOTHER INVESTOR MEMBER AS A PROXY.

(3) THE ARTICLES OR BYLAWS MAY PROVIDE FOR THE MANNER OF AND PROVISIONS GOVERNING THE APPOINTMENT OF A PROXY.

(4) THE ARTICLES OR BYLAWS MAY PROVIDE FOR VOTING ON ANY QUESTION BY BALLOT DELIVERED BY MAIL OR VOTING BY OTHER MEANS ON QUESTIONS THAT ARE SUBJECT TO VOTE BY MEMBERS.

7-58-516. Action without a meeting. (1) UNLESS THE ARTICLES OR BYLAWS REQUIRE THAT ACTION BE TAKEN AT A MEMBERS MEETING, ANY ACTION REQUIRED OR PERMITTED BY THIS ARTICLE TO BE TAKEN AT A MEMBERS MEETING MAY BE TAKEN WITHOUT A MEETING IF NOTICE OF THE PROPOSED ACTION IS GIVEN AS PROVIDED IN SUBSECTION (6) OF THIS SECTION, AND:

(a) ALL OF THE MEMBERS ENTITLED TO VOTE THEREON CONSENT TO THE ACTION IN A RECORD; OR

(b) IF EXPRESSLY PROVIDED FOR IN THE ARTICLES, THE MEMBERS HOLDING MEMBERSHIP INTERESTS HAVING NOT LESS THAN THE MINIMUM NUMBER OF VOTES THAT WOULD BE NECESSARY TO AUTHORIZE OR TAKE THE ACTION AT A MEETING AT WHICH ALL OF THE MEMBERSHIP INTERESTS ENTITLED TO VOTE THEREON WERE

PRESENT AND VOTED CONSENT TO THE ACTION IN A RECORD.

(2) (a) NO ACTION TAKEN PURSUANT TO THIS SECTION IS EFFECTIVE UNLESS, WITHIN SIXTY DAYS AFTER THE DATE THE LIMITED COOPERATIVE ASSOCIATION FIRST RECEIVES A RECORD DESCRIBING AND CONSENTING TO THE ACTION AND SIGNED BY A MEMBER, THE ASSOCIATION HAS RECEIVED RECORDS THAT DESCRIBE AND CONSENT TO THE ACTION, SIGNED BY MEMBERS HOLDING AT LEAST THE NUMBER OF VOTES ENTITLED TO BE VOTED ON THE ACTION AS REQUIRED BY SUBSECTION (1) OF THIS SECTION, DISREGARDING ANY RECORD THAT HAS BEEN REVOKED PURSUANT TO SUBSECTION (3) OF THIS SECTION. THE ARTICLES OR BYLAWS MAY PROVIDE FOR THE RECEIPT OF ANY RECORD BY THE ASSOCIATION BY ELECTRONICALLY TRANSMITTED FACSIMILE OR OTHER FORM OF WIRE OR WIRELESS COMMUNICATION PROVIDING THE ASSOCIATION WITH A COMPLETE COPY THEREOF, INCLUDING A COPY OF THE SIGNATURE THEREON.

(b) ACTION TAKEN PURSUANT TO THIS SECTION IS EFFECTIVE AS OF THE DATE THE LIMITED COOPERATIVE ASSOCIATION RECEIVES THE LAST RECORD NECESSARY TO EFFECT THE ACTION UNLESS ALL OF THE RECORDS NECESSARY TO EFFECT THE ACTION STATE ANOTHER DATE AS THE EFFECTIVE DATE OF THE ACTION, IN WHICH CASE THE STATED DATE IS THE EFFECTIVE DATE OF THE ACTION.

(3) ANY MEMBER WHO HAS SIGNED A RECORD DESCRIBING AND CONSENTING TO ACTION TAKEN PURSUANT TO THIS SECTION MAY REVOKE THE CONSENT BY A RECORD SIGNED AND DATED BY THE MEMBER DESCRIBING THE ACTION AND STATING THAT THE MEMBER'S PRIOR CONSENT THERETO IS REVOKED, IF THE RECORD IS RECEIVED BY THE LIMITED COOPERATIVE ASSOCIATION PRIOR TO THE EFFECTIVENESS OF THE ACTION.

(4) IF NOT OTHERWISE FIXED UNDER SUBSECTION (7) OF THIS SECTION, THE RECORD DATE FOR DETERMINING MEMBERS ENTITLED TO TAKE ACTION PURSUANT TO THIS SECTION OR ENTITLED TO BE GIVEN NOTICE UNDER SUBSECTION (6) OF THIS SECTION OF ACTION TAKEN PURSUANT TO THIS SECTION IS THE DATE THE LIMITED COOPERATIVE ASSOCIATION FIRST RECEIVES A WRITING UPON WHICH THE ACTION IS TAKEN PURSUANT TO THIS SECTION.

(5) ACTION TAKEN UNDER THIS SECTION HAS THE SAME EFFECT AS ACTION TAKEN AT A MEMBERS MEETING AND MAY BE DESCRIBED AS SUCH.

(6) (a) IF ACTION IS TO BE TAKEN UNDER SUBSECTION (1) OF THIS SECTION, THE LIMITED COOPERATIVE ASSOCIATION SHALL GIVE NOTICE OF THE PROPOSED ACTION TO THE MEMBERS ENTITLED TO VOTE THEREON. THE NOTICE MUST:

(I) BE GIVEN IN A RECORD;

(II) DESCRIBE THE PROPOSED ACTION; AND

(III) SPECIFY THE DATE ON OR BEFORE WHICH CONSENTS TO BE GIVEN PURSUANT TO SUBSECTION (1) OF THIS SECTION MUST BE RECEIVED BY THE ASSOCIATION.

(b) (I) NOTWITHSTANDING PARAGRAPH (a) OF THIS SUBSECTION (6), WHENEVER NOTICE IS REQUIRED TO BE GIVEN UNDER THIS SUBSECTION (6) TO ANY MEMBER, THE

NOTICE IS NOT REQUIRED TO BE GIVEN TO A MEMBER IF:

(A) NOTICE OF TWO CONSECUTIVE ANNUAL MEETINGS, AND ALL NOTICES OF MEETINGS DURING THE PERIOD BETWEEN THE TWO CONSECUTIVE ANNUAL MEETINGS, HAVE BEEN SENT TO THE MEMBER AT THE MEMBER'S ADDRESS AS SHOWN ON THE RECORDS OF THE LIMITED COOPERATIVE ASSOCIATION AND HAVE BEEN RETURNED UNDELIVERABLE; OR

(B) ALL, BUT NOT LESS THAN TWO, PAYMENTS OF DISTRIBUTIONS DURING A TWELVE-MONTH PERIOD, OR TWO CONSECUTIVE PAYMENTS OF DISTRIBUTIONS DURING A PERIOD OF MORE THAN TWELVE MONTHS, HAVE BEEN SENT TO THE MEMBER AT THE MEMBER'S ADDRESS AS SHOWN ON THE RECORDS OF THE ASSOCIATION AND HAVE BEEN RETURNED UNDELIVERABLE.

(II) IF ANY SUCH MEMBER DELIVERS TO THE ASSOCIATION A NOTICE IN A RECORD SETTING FORTH THE MEMBER'S THEN-CURRENT ADDRESS, THE REQUIREMENT THAT NOTICE BE GIVEN TO THE MEMBER IS REINSTATED.

(7) THE PROPER COURT MAY, UPON APPLICATION OF THE ASSOCIATION OR ANY MEMBER WHO WOULD BE ENTITLED TO VOTE ON THE ACTION AT A MEMBERS MEETING, SUMMARILY STATE A RECORD DATE FOR DETERMINING MEMBERS ENTITLED TO SIGN RECORDS CONSENTING TO AN ACTION UNDER THIS SECTION AND MAY ENTER OTHER ORDERS NECESSARY OR APPROPRIATE TO EFFECT THE PURPOSES OF THIS SECTION.

7-58-517. Districts and delegates - classes of members. (1) THE ARTICLES OR BYLAWS MAY PROVIDE FOR THE FORMATION OF GEOGRAPHIC DISTRICTS OF PATRON MEMBERS, THE CONDUCT OF PATRON MEMBER MEETINGS BY DISTRICTS, THE ELECTION OF DIRECTORS AT THE MEETINGS, THE ELECTION OF DISTRICT DELEGATES TO REPRESENT AND VOTE FOR THE DISTRICT AT MEMBERS MEETINGS, OR ANY COMBINATION THEREOF.

(2) A DELEGATE ELECTED UNDER SUBSECTION (1) OF THIS SECTION HAS ONE VOTE UNLESS VOTING POWER IS OTHERWISE ALLOCATED BY THE ARTICLES OR BYLAWS.

(3) THE ARTICLES OR BYLAWS MAY PROVIDE FOR THE ESTABLISHMENT OF CLASSES OF MEMBERS; THE PREFERENCES, RIGHTS, AND LIMITATIONS OF THE CLASSES; THE CONDUCT OF MEMBERS MEETINGS BY CLASSES AND THE ELECTION OF DIRECTORS AT THE MEETINGS; THE ELECTION OF CLASS DELEGATES TO REPRESENT AND VOTE FOR THE DISTRICT AT MEMBERS MEETINGS; OR ANY COMBINATION THEREOF.

(4) A DELEGATE ELECTED UNDER SUBSECTION (3) OF THIS SECTION HAS ONE VOTE UNLESS VOTING POWER IS OTHERWISE ALLOCATED BY THE ARTICLES OR BYLAWS.

PART 6
MEMBER'S INTEREST IN
LIMITED COOPERATIVE ASSOCIATION

7-58-601. Member's interest. (1) A MEMBER'S INTEREST:

(a) IS PERSONAL PROPERTY;

(b) CONSISTS OF:

(I) GOVERNANCE RIGHTS;

(II) FINANCIAL RIGHTS; AND

(III) THE RIGHT OR OBLIGATION, IF ANY, TO DO BUSINESS WITH THE LIMITED COOPERATIVE ASSOCIATION; AND

(c) MAY BE IN CERTIFICATED OR UNCERTIFICATED FORM.

7-58-602. Patron and investor members' interests. (1) UNLESS THE ARTICLES OR BYLAWS ESTABLISH INVESTOR MEMBERS' INTERESTS, A MEMBER'S INTEREST IS A PATRON MEMBER'S INTEREST.

(2) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, IF A LIMITED COOPERATIVE ASSOCIATION HAS INVESTOR MEMBERS, WHILE A PERSON IS A MEMBER OF THE ASSOCIATION, THE PERSON:

(a) IF ADMITTED AS A PATRON MEMBER, REMAINS A PATRON MEMBER;

(b) IF ADMITTED AS AN INVESTOR MEMBER, REMAINS AN INVESTOR MEMBER; AND

(c) IF ADMITTED AS A PATRON MEMBER AND INVESTOR MEMBER, REMAINS A PATRON AND INVESTOR MEMBER IF NOT DISSOCIATED IN ONE OF THE CAPACITIES.

7-58-603. Transferability of member's interest. (1) SECTION 7-90-104 APPLIES TO THIS ARTICLE.

(2) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, A MEMBER'S INTEREST OTHER THAN FINANCIAL RIGHTS IS NOT TRANSFERABLE.

(3) UNLESS A TRANSFER IS RESTRICTED OR PROHIBITED BY THE ARTICLES OR BYLAWS, A MEMBER MAY TRANSFER ITS FINANCIAL RIGHTS IN THE LIMITED COOPERATIVE ASSOCIATION.

(4) THE TERMS OF ANY RESTRICTION ON TRANSFERABILITY OF FINANCIAL RIGHTS MUST BE:

(a) SET FORTH IN THE ARTICLES OR BYLAWS AND THE MEMBER RECORDS OF THE ASSOCIATION; AND

(b) CONSPICUOUSLY NOTED ON ANY CERTIFICATES EVIDENCING A MEMBER'S INTEREST.

(5) A TRANSFEREE OF A MEMBER'S FINANCIAL RIGHTS, TO THE EXTENT THE RIGHTS ARE TRANSFERRED, HAS THE RIGHT TO SHARE IN THE ALLOCATION OF PROFITS OR LOSSES AND TO RECEIVE THE DISTRIBUTIONS TO THE MEMBER TRANSFERRING THE INTEREST TO THE SAME EXTENT AS THE TRANSFERRING MEMBER.

(6) A TRANSFEREE OF A MEMBER'S FINANCIAL RIGHTS DOES NOT BECOME A MEMBER UPON TRANSFER OF THE RIGHTS UNLESS THE TRANSFEREE IS ADMITTED AS A MEMBER BY THE LIMITED COOPERATIVE ASSOCIATION.

(7) A LIMITED COOPERATIVE ASSOCIATION NEED NOT GIVE EFFECT TO A TRANSFER UNDER THIS SECTION UNTIL THE ASSOCIATION HAS NOTICE OF THE TRANSFER.

(8) A TRANSFER OF A MEMBER'S FINANCIAL RIGHTS IN VIOLATION OF A RESTRICTION ON TRANSFER CONTAINED IN THE ARTICLES OR BYLAWS IS INEFFECTIVE AS TO A PERSON HAVING NOTICE OF THE RESTRICTION AT THE TIME OF TRANSFER.

7-58-604. Security interest and set-off. (1) A MEMBER OR TRANSFEREE MAY CREATE AN ENFORCEABLE SECURITY INTEREST IN ITS FINANCIAL RIGHTS IN A LIMITED COOPERATIVE ASSOCIATION.

(2) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, A MEMBER MAY NOT CREATE AN ENFORCEABLE SECURITY INTEREST IN THE MEMBER'S GOVERNANCE RIGHTS IN, OR IN THE RIGHT OR OBLIGATION, IF ANY, TO DO BUSINESS WITH, A LIMITED COOPERATIVE ASSOCIATION.

(3) THE ARTICLES OR BYLAWS MAY PROVIDE THAT A LIMITED COOPERATIVE ASSOCIATION HAS A SECURITY INTEREST IN THE FINANCIAL RIGHTS OF A MEMBER TO SECURE PAYMENT OF ANY INDEBTEDNESS OR OTHER OBLIGATION OF THE MEMBER TO THE ASSOCIATION. A SECURITY INTEREST PROVIDED FOR IN THE ARTICLES OR BYLAWS IS ENFORCEABLE UNDER, AND GOVERNED BY, ARTICLE 9 OF TITLE 4, C.R.S.

(4) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, A MEMBER MAY NOT COMPEL THE LIMITED COOPERATIVE ASSOCIATION TO OFFSET FINANCIAL RIGHTS AGAINST ANY INDEBTEDNESS OR OBLIGATION OWED TO THE ASSOCIATION.

7-58-605. Charging orders for judgment creditor of member or transferee.

(1) ON APPLICATION BY A JUDGMENT CREDITOR OF A MEMBER OR TRANSFEREE, A COURT MAY ENTER A CHARGING ORDER AGAINST THE FINANCIAL RIGHTS OF THE JUDGMENT DEBTOR FOR THE UNSATISFIED AMOUNT OF THE JUDGMENT. A CHARGING ORDER ISSUED UNDER THIS SUBSECTION (1) CONSTITUTES A LIEN ON THE JUDGMENT DEBTOR'S FINANCIAL RIGHTS AND REQUIRES THE LIMITED COOPERATIVE ASSOCIATION TO PAY OVER TO THE CREDITOR OR RECEIVER, TO THE EXTENT NECESSARY TO SATISFY THE JUDGMENT, ANY DISTRIBUTION THAT WOULD OTHERWISE BE PAID TO THE JUDGMENT DEBTOR.

(2) TO THE EXTENT NECESSARY TO EFFECTUATE THE COLLECTION OF DISTRIBUTIONS PURSUANT TO A CHARGING ORDER UNDER SUBSECTION (1) OF THIS SECTION, THE COURT MAY:

(a) APPOINT A RECEIVER OF THE SHARE OF THE DISTRIBUTIONS DUE OR TO BECOME DUE TO THE JUDGMENT DEBTOR UNDER THE JUDGMENT DEBTOR'S FINANCIAL RIGHTS, WITH THE POWER TO MAKE ALL INQUIRIES THE JUDGMENT DEBTOR MIGHT HAVE MADE; AND

(b) MAKE ALL OTHER ORDERS THAT THE CIRCUMSTANCES OF THE CASE MAY REQUIRE TO GIVE EFFECT TO THE CHARGING ORDER.

(3) UPON A SHOWING THAT DISTRIBUTIONS UNDER A CHARGING ORDER WILL NOT PAY THE JUDGMENT DEBT WITHIN A REASONABLE TIME, THE COURT MAY FORECLOSE THE LIEN AND ORDER THE SALE OF THE FINANCIAL RIGHTS. THE PURCHASER AT THE FORECLOSURE SALE OBTAINS ONLY THE FINANCIAL RIGHTS THAT ARE SUBJECT TO THE CHARGING ORDER, DOES NOT THEREBY BECOME A MEMBER, AND IS SUBJECT TO SECTION 7-58-603.

(4) AT ANY TIME BEFORE A SALE PURSUANT TO A FORECLOSURE, A MEMBER OR TRANSFEREE WHOSE FINANCIAL RIGHTS ARE SUBJECT TO A CHARGING ORDER UNDER SUBSECTION (1) OF THIS SECTION MAY EXTINGUISH THE CHARGING ORDER BY SATISFYING THE JUDGMENT AND FILING A CERTIFIED COPY OF THE SATISFACTION WITH THE COURT THAT ISSUED THE CHARGING ORDER.

(5) AT ANY TIME BEFORE SALE PURSUANT TO A FORECLOSURE, THE LIMITED COOPERATIVE ASSOCIATION OR ONE OR MORE MEMBERS WHOSE FINANCIAL RIGHTS ARE NOT SUBJECT TO THE CHARGING ORDER MAY PAY TO THE JUDGMENT CREDITOR THE FULL AMOUNT DUE UNDER THE JUDGMENT AND SUCCEED TO THE RIGHTS OF THE JUDGMENT CREDITOR, INCLUDING THE CHARGING ORDER. UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, THE ASSOCIATION MAY ACT UNDER THIS SUBSECTION (5) ONLY WITH THE CONSENT OF ALL MEMBERS WHOSE FINANCIAL RIGHTS ARE NOT SUBJECT TO THE CHARGING ORDER.

(6) THIS ARTICLE DOES NOT DEPRIVE ANY MEMBER OR TRANSFEREE OF THE BENEFIT OF ANY EXEMPTION LAWS APPLICABLE TO THE MEMBER'S OR TRANSFEREE'S FINANCIAL RIGHTS.

(7) THIS SECTION PROVIDES THE EXCLUSIVE REMEDY BY WHICH A JUDGMENT CREDITOR OF A MEMBER OR TRANSFEREE MAY SATISFY THE JUDGMENT FROM THE MEMBER'S OR TRANSFEREE'S FINANCIAL RIGHTS.

PART 7 MARKETING CONTRACTS

7-58-701. Authority. (1) IN THIS PART 7, "MARKETING CONTRACT" MEANS A CONTRACT BETWEEN A LIMITED COOPERATIVE ASSOCIATION AND ANOTHER PERSON, WHICH PERSON NEED NOT BE A PATRON MEMBER:

(a) REQUIRING THE OTHER PERSON TO SELL, OR DELIVER FOR SALE OR MARKETING ON THE PERSON'S BEHALF, A SPECIFIED PART OF THE PERSON'S PRODUCTS, COMMODITIES, OR GOODS EXCLUSIVELY TO OR THROUGH THE ASSOCIATION OR ANY FACILITIES FURNISHED BY THE ASSOCIATION; OR

(b) AUTHORIZING THE ASSOCIATION TO ACT FOR THE PERSON IN ANY MANNER WITH RESPECT TO THE PRODUCTS, COMMODITIES, OR GOODS.

7-58-702. Marketing contracts. (1) IF A MARKETING CONTRACT PROVIDES FOR THE SALE OF PRODUCTS, COMMODITIES, OR GOODS TO A LIMITED COOPERATIVE ASSOCIATION, THE SALE TRANSFERS TITLE TO THE ASSOCIATION UPON DELIVERY OR AT ANY OTHER SPECIFIC TIME EXPRESSLY PROVIDED BY THE CONTRACT.

(2) A MARKETING CONTRACT MAY:

(a) AUTHORIZE A LIMITED COOPERATIVE ASSOCIATION TO CREATE AN ENFORCEABLE SECURITY INTEREST IN THE PRODUCTS, COMMODITIES, OR GOODS DELIVERED; AND

(b) ALLOW THE ASSOCIATION TO SELL THE PRODUCTS, COMMODITIES, OR GOODS DELIVERED AND PAY THE SALES PRICE ON A POOLED OR OTHER BASIS AFTER DEDUCTING SELLING COSTS, PROCESSING COSTS, OVERHEAD, EXPENSES, AND OTHER CHARGES.

(3) SOME OR ALL OF THE PROVISIONS OF A MARKETING CONTRACT BETWEEN A PATRON MEMBER AND A LIMITED COOPERATIVE ASSOCIATION MAY BE CONTAINED IN THE ARTICLES OR BYLAWS.

7-58-703. Duration of marketing contract. THE INITIAL DURATION OF A MARKETING CONTRACT MAY NOT EXCEED TEN YEARS, BUT THE CONTRACT MAY BE SELF-RENEWING FOR ADDITIONAL PERIODS NOT EXCEEDING FIVE YEARS EACH. UNLESS THE CONTRACT PROVIDES FOR ANOTHER MANNER OR TIME FOR TERMINATION, EITHER PARTY MAY TERMINATE THE CONTRACT BY GIVING NOTICE IN A RECORD AT LEAST NINETY DAYS BEFORE THE END OF THE CURRENT TERM.

7-58-704. Remedies for breach of contract. (1) DAMAGES TO BE PAID TO A LIMITED COOPERATIVE ASSOCIATION FOR BREACH OR ANTICIPATORY REPUDIATION OF A MARKETING CONTRACT MAY BE LIQUIDATED, BUT ONLY AT AN AMOUNT OR UNDER A FORMULA THAT IS REASONABLE IN LIGHT OF THE ACTUAL OR ANTICIPATED HARM CAUSED BY THE BREACH OR REPUDIATION. A PROVISION THAT SO PROVIDES IS NOT A PENALTY.

(2) UPON A BREACH OF A MARKETING CONTRACT, WHETHER BY ANTICIPATORY REPUDIATION OR OTHERWISE, A LIMITED COOPERATIVE ASSOCIATION MAY SEEK:

(a) AN INJUNCTION TO PREVENT FURTHER BREACH; AND

(b) SPECIFIC PERFORMANCE.

(3) THE REMEDIES IN THIS SECTION ARE IN ADDITION TO ANY OTHER REMEDIES AVAILABLE TO AN ASSOCIATION UNDER LAW OTHER THAN THIS PART 7.

PART 8 DIRECTORS AND OFFICERS

7-58-801. Board of directors. (1) A LIMITED COOPERATIVE ASSOCIATION MUST HAVE A BOARD OF DIRECTORS OF AT LEAST THREE INDIVIDUALS UNLESS THE ASSOCIATION HAS FEWER THAN THREE MEMBERS. IF THE ASSOCIATION HAS FEWER THAN THREE MEMBERS, THE NUMBER OF DIRECTORS MAY NOT BE FEWER THAN THE NUMBER OF MEMBERS.

(2) THE AFFAIRS OF A LIMITED COOPERATIVE ASSOCIATION MUST BE MANAGED BY, OR UNDER THE DIRECTION OF, THE BOARD OF DIRECTORS. THE BOARD MAY ADOPT POLICIES AND PROCEDURES THAT DO NOT CONFLICT WITH THE ARTICLES, BYLAWS, OR THIS ARTICLE.

(3) AN INDIVIDUAL IS NOT AN AGENT FOR A LIMITED COOPERATIVE ASSOCIATION SOLELY BY BEING A DIRECTOR.

7-58-802. No liability as director for limited cooperative association's obligations. A DEBT, OBLIGATION, OR OTHER LIABILITY OF A LIMITED COOPERATIVE ASSOCIATION IS SOLELY THAT OF THE ASSOCIATION AND IS NOT A DEBT, OBLIGATION, OR LIABILITY OF A DIRECTOR SOLELY BY REASON OF BEING A DIRECTOR. AN INDIVIDUAL IS NOT PERSONALLY LIABLE, DIRECTLY OR INDIRECTLY, FOR AN OBLIGATION OF AN ASSOCIATION SOLELY BY REASON OF BEING A DIRECTOR.

7-58-803. Qualifications of directors. (1) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, AND SUBJECT TO SUBSECTION (3) OF THIS SECTION, EACH DIRECTOR OF A LIMITED COOPERATIVE ASSOCIATION MUST BE AN INDIVIDUAL WHO IS A MEMBER OF THE ASSOCIATION OR AN INDIVIDUAL WHO IS DESIGNATED BY A MEMBER THAT IS NOT AN INDIVIDUAL FOR PURPOSES OF QUALIFYING AND SERVING AS A DIRECTOR; EXCEPT THAT INITIAL DIRECTORS NEED NOT BE MEMBERS OR DESIGNEES OF A MEMBER. A DIRECTOR MUST BE AT LEAST EIGHTEEN YEARS OF AGE.

(2) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, A DIRECTOR MAY BE AN OFFICER OR EMPLOYEE OF THE LIMITED COOPERATIVE ASSOCIATION.

(3) IF THE ARTICLES OR BYLAWS PROVIDE FOR NONMEMBER DIRECTORS, THE NUMBER OF NONMEMBER DIRECTORS MAY NOT EXCEED:

(a) ONE, IF THERE ARE TWO TO FOUR DIRECTORS;

(b) TWO, IF THERE ARE FIVE TO EIGHT DIRECTORS; OR

(c) ONE-THIRD OF THE TOTAL NUMBER OF DIRECTORS IF THERE ARE AT LEAST NINE DIRECTORS.

(4) THE ARTICLES OR BYLAWS MAY PROVIDE QUALIFICATIONS FOR DIRECTORS IN ADDITION TO THOSE IN THIS SECTION.

7-58-804. Election of directors and composition of board. (1) UNLESS THE ARTICLES OR BYLAWS REQUIRE A GREATER NUMBER:

(a) THE NUMBER OF DIRECTORS THAT MUST BE PATRON MEMBERS MAY NOT BE FEWER THAN:

(I) ONE, IF THERE ARE TWO OR THREE DIRECTORS;

(II) TWO, IF THERE ARE FOUR OR FIVE DIRECTORS;

(III) THREE, IF THERE ARE SIX TO EIGHT DIRECTORS; OR

(IV) ONE-THIRD OF THE DIRECTORS IF THERE ARE AT LEAST NINE DIRECTORS; AND

(b) A MAJORITY OF THE BOARD OF DIRECTORS MUST BE ELECTED EXCLUSIVELY BY PATRON MEMBERS.

(2) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, IF A LIMITED COOPERATIVE ASSOCIATION HAS INVESTOR MEMBERS, DIRECTORS WHO ARE INVESTOR MEMBERS AND WHO ARE NOT ELECTED EXCLUSIVELY BY PATRON MEMBERS MUST BE ELECTED BY THE INVESTOR MEMBERS.

(3) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, ALL NONMEMBER DIRECTORS, IF ANY, MUST BE ELECTED BY THE PATRON MEMBERS AND THE INVESTOR MEMBERS.

(4) SUBJECT TO SUBSECTION (1) OF THIS SECTION, THE ARTICLES OR BYLAWS MAY PROVIDE FOR THE ELECTION OF ALL OR A SPECIFIED NUMBER OF DIRECTORS BY ONE OR MORE DISTRICTS OR CLASSES OF MEMBERS.

(5) SUBJECT TO SUBSECTION (1) OF THIS SECTION, THE ARTICLES OR BYLAWS MAY PROVIDE FOR THE NOMINATION OR ELECTION OF DIRECTORS BY DISTRICTS OR CLASSES, DIRECTLY OR BY DISTRICT DELEGATES.

(6) IF A CLASS OF MEMBERS CONSISTS OF A SINGLE MEMBER, THE ARTICLES OR BYLAWS MAY PROVIDE FOR THE MEMBER TO APPOINT A DIRECTOR OR DIRECTORS.

(7) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, CUMULATIVE VOTING FOR DIRECTORS IS PROHIBITED.

(8) EXCEPT AS OTHERWISE PROVIDED BY THE ARTICLES, BYLAWS, SUBSECTION (6) OF THIS SECTION, OR SECTION 7-58-303, 7-58-516, 7-58-517, OR 7-58-809, MEMBER DIRECTORS MUST BE ELECTED AT AN ANNUAL MEMBERS MEETING.

7-58-805. Term of director. (1) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, AND SUBJECT TO SUBSECTIONS (3) AND (4) OF THIS SECTION AND SECTION 7-58-304 (4), THE TERM OF A DIRECTOR EXPIRES AT THE ANNUAL MEMBERS MEETING FOLLOWING THE DIRECTOR'S ELECTION OR APPOINTMENT.

(2) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, A DIRECTOR MAY BE REELECTED.

(3) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4) OF THIS SECTION, A DIRECTOR CONTINUES TO SERVE UNTIL A SUCCESSOR DIRECTOR IS ELECTED OR APPOINTED AND QUALIFIES OR THE DIRECTOR IS REMOVED, RESIGNS, IS ADJUDGED INCOMPETENT, OR DIES.

(4) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, A DIRECTOR SHALL NOT SERVE THE REMAINDER OF THE DIRECTOR'S TERM IF THE DIRECTOR CEASES TO QUALIFY TO BE A DIRECTOR.

7-58-806. Resignation of director. A DIRECTOR MAY RESIGN AT ANY TIME BY GIVING NOTICE IN A RECORD TO THE LIMITED COOPERATIVE ASSOCIATION. UNLESS THE NOTICE STATES A LATER EFFECTIVE DATE, A RESIGNATION IS EFFECTIVE WHEN THE NOTICE IS RECEIVED BY THE ASSOCIATION.

7-58-807. Removal of director. (1) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE:

(a) MEMBERS MAY REMOVE A DIRECTOR WITH OR WITHOUT CAUSE.

(b) A MEMBER OR MEMBERS HOLDING AT LEAST TEN PERCENT OF THE TOTAL VOTING POWER ENTITLED TO BE VOTED IN THE ELECTION OF A DIRECTOR MAY DEMAND REMOVAL OF THE DIRECTOR BY ONE OR MORE SIGNED PETITIONS SUBMITTED TO THE OFFICER OF THE LIMITED COOPERATIVE ASSOCIATION CHARGED WITH KEEPING ITS RECORDS.

(c) UPON RECEIPT OF A PETITION FOR REMOVAL OF A DIRECTOR, AN OFFICER OF THE ASSOCIATION OR THE BOARD OF DIRECTORS SHALL:

(I) CALL A SPECIAL MEETING OF MEMBERS TO BE HELD NOT LATER THAN NINETY DAYS AFTER RECEIPT OF THE PETITION BY THE ASSOCIATION; AND

(II) MAIL OR OTHERWISE TRANSMIT OR DELIVER IN A RECORD TO THE MEMBERS ENTITLED TO VOTE ON THE REMOVAL, AND TO THE DIRECTOR TO BE REMOVED, NOTICE OF THE MEETING THAT COMPLIES WITH SECTION 7-58-508.

(d) A DIRECTOR IS REMOVED IF THE VOTES IN FAVOR OF REMOVAL ARE EQUAL TO OR GREATER THAN THE VOTES REQUIRED TO ELECT THE DIRECTOR.

7-58-808. Suspension of director by board. (1) A BOARD OF DIRECTORS MAY SUSPEND A DIRECTOR IF, CONSIDERING THE DIRECTOR'S COURSE OF CONDUCT AND THE INADEQUACY OF OTHER AVAILABLE REMEDIES, IMMEDIATE SUSPENSION IS NECESSARY FOR THE BEST INTERESTS OF THE ASSOCIATION AND THE DIRECTOR IS ENGAGING, OR HAS ENGAGED, IN:

(a) FRAUDULENT CONDUCT WITH RESPECT TO THE ASSOCIATION OR ITS MEMBERS;

(b) GROSS ABUSE OF THE POSITION OF DIRECTOR;

(c) INTENTIONAL OR RECKLESS INFLECTION OF HARM ON THE ASSOCIATION; OR

(d) ANY OTHER BEHAVIOR, ACT, OR OMISSION AS PROVIDED BY THE ARTICLES OR BYLAWS.

(2) A SUSPENSION UNDER SUBSECTION (1) OF THIS SECTION IS EFFECTIVE FOR A PERIOD DETERMINED BY THE BOARD OF DIRECTORS, NOT TO EXCEED SIXTY DAYS, UNLESS, BEFORE THE END OF THE SUSPENSION PERIOD, THE BOARD CALLS AND GIVES NOTICE OF A SPECIAL MEETING OF MEMBERS FOR REMOVAL OF THE DIRECTOR, IN WHICH CASE THE SUSPENSION IS EFFECTIVE UNTIL THE EARLIER OF ADJOURNMENT OF THE MEMBERS MEETING OR REMOVAL OF THE DIRECTOR.

7-58-809. Vacancy on board. (1) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, A VACANCY ON THE BOARD OF DIRECTORS MUST BE FILLED:

(a) WITHIN A REASONABLE TIME BY MAJORITY VOTE OF THE REMAINING DIRECTORS, UNTIL THE NEXT ANNUAL MEMBERS MEETING OR A SPECIAL MEETING OF MEMBERS IS CALLED TO FILL THE VACANCY; AND

(b) FOR THE BALANCE OF THE UNEXPIRED TERM BY MEMBERS AT THE NEXT

ANNUAL MEMBERS MEETING OR A SPECIAL MEETING OF MEMBERS CALLED TO FILL THE VACANCY.

(2) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, IF A VACATING DIRECTOR WAS ELECTED OR APPOINTED BY A CLASS OF MEMBERS OR A DISTRICT:

(a) THE NEW DIRECTOR MUST BE OF THAT CLASS OR DISTRICT; AND

(b) THE SELECTION OF THE DIRECTOR FOR THE UNEXPIRED TERM MUST BE CONDUCTED IN THE SAME MANNER AS WOULD THE SELECTION FOR THAT POSITION WITHOUT A VACANCY.

(3) IF A MEMBER APPOINTED A VACATING DIRECTOR, THE ARTICLES OR BYLAWS MAY PROVIDE FOR THAT MEMBER TO APPOINT A DIRECTOR TO FILL THE VACANCY.

7-58-810. Remuneration of directors. UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, THE BOARD OF DIRECTORS MAY SET THE REMUNERATION OF DIRECTORS AND OF NONDIRECTOR COMMITTEE MEMBERS APPOINTED UNDER SECTION 7-58-817 (1).

7-58-811. Meetings. (1) A BOARD OF DIRECTORS SHALL MEET AT LEAST ANNUALLY AND MAY HOLD MEETINGS INSIDE OR OUTSIDE THIS STATE.

(2) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, A BOARD OF DIRECTORS MAY PERMIT DIRECTORS TO ATTEND OR CONDUCT BOARD MEETINGS THROUGH THE USE OF ANY MEANS OF COMMUNICATION IF ALL DIRECTORS ATTENDING THE MEETING CAN COMMUNICATE WITH EACH OTHER DURING THE MEETING.

7-58-812. Action without meeting. (1) UNLESS PROHIBITED BY THE ARTICLES OR BYLAWS, ANY ACTION THAT MAY BE TAKEN BY A BOARD OF DIRECTORS MAY BE TAKEN WITHOUT A MEETING IF EACH DIRECTOR CONSENTS IN A RECORD TO THE ACTION.

(2) CONSENT UNDER SUBSECTION (1) OF THIS SECTION MAY BE WITHDRAWN BY A DIRECTOR IN A RECORD AT ANY TIME BEFORE THE LIMITED COOPERATIVE ASSOCIATION RECEIVES CONSENT FROM ALL DIRECTORS.

(3) A RECORD OF CONSENT FOR ANY ACTION UNDER SUBSECTION (1) OF THIS SECTION MAY SPECIFY THE EFFECTIVE DATE OR TIME OF THE ACTION.

7-58-813. Meetings - notice. (1) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, A BOARD OF DIRECTORS MAY ESTABLISH A TIME, DATE, AND PLACE FOR REGULAR BOARD MEETINGS, AND NOTICE OF THE TIME, DATE, PLACE, OR PURPOSE OF THOSE MEETINGS IS NOT REQUIRED.

(2) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, NOTICE OF THE TIME, DATE, AND PLACE OF A SPECIAL MEETING OF A BOARD OF DIRECTORS MUST BE GIVEN TO ALL DIRECTORS AT LEAST THREE DAYS BEFORE THE MEETING, THE NOTICE MUST CONTAIN A STATEMENT OF THE PURPOSE OF THE MEETING, AND THE MEETING IS LIMITED TO THE MATTERS CONTAINED IN THE STATEMENT.

7-58-814. Waiver of notice of meeting. (1) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, A DIRECTOR MAY WAIVE ANY REQUIRED NOTICE OF A MEETING OF THE BOARD OF DIRECTORS IN A RECORD BEFORE, DURING, OR AFTER THE MEETING.

(2) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, A DIRECTOR'S PARTICIPATION IN A MEETING IS A WAIVER OF NOTICE OF THAT MEETING UNLESS:

(a) THE DIRECTOR OBJECTS TO THE MEETING AT THE BEGINNING OF THE MEETING OR PROMPTLY UPON THE DIRECTOR'S ARRIVAL AT THE MEETING AND DOES NOT THEREAFTER VOTE IN FAVOR OF OR OTHERWISE ASSENT TO THE ACTION TAKEN AT THE MEETING; OR

(b) THE DIRECTOR PROMPTLY OBJECTS UPON THE INTRODUCTION OF ANY MATTER FOR WHICH NOTICE UNDER SECTION 7-58-813 IS REQUIRED AND HAS NOT BEEN GIVEN AND DOES NOT THEREAFTER VOTE IN FAVOR OF OR OTHERWISE ASSENT TO THE ACTION TAKEN ON THE MATTER.

7-58-815. Quorum. (1) UNLESS THE ARTICLES OR BYLAWS PROVIDE FOR A GREATER NUMBER, A MAJORITY OF THE TOTAL NUMBER OF DIRECTORS SPECIFIED BY THE ARTICLES OR BYLAWS CONSTITUTES A QUORUM FOR A MEETING OF THE DIRECTORS.

(2) IF A QUORUM OF THE BOARD OF DIRECTORS IS PRESENT AT THE BEGINNING OF A MEETING, ANY ACTION TAKEN BY THE DIRECTORS PRESENT IS VALID EVEN IF WITHDRAWAL OF DIRECTORS ORIGINALLY PRESENT RESULTS IN THE NUMBER OF DIRECTORS BEING FEWER THAN THE NUMBER REQUIRED FOR A QUORUM.

(3) A DIRECTOR PRESENT AT A MEETING BUT OBJECTING TO NOTICE UNDER SECTION 7-58-814 (2) DOES NOT COUNT TOWARD A QUORUM.

7-58-816. Voting. (1) EACH DIRECTOR HAS ONE VOTE FOR PURPOSES OF DECISIONS MADE BY THE BOARD OF DIRECTORS.

(2) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, THE AFFIRMATIVE VOTE OF A MAJORITY OF DIRECTORS PRESENT AT A MEETING IS REQUIRED FOR ACTION BY THE BOARD OF DIRECTORS.

7-58-817. Committees. (1) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, A BOARD OF DIRECTORS MAY CREATE ONE OR MORE COMMITTEES AND APPOINT ONE OR MORE INDIVIDUALS TO SERVE ON A COMMITTEE.

(2) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, AN INDIVIDUAL APPOINTED TO SERVE ON A COMMITTEE OF A LIMITED COOPERATIVE ASSOCIATION NEED NOT BE A DIRECTOR OR MEMBER.

(3) AN INDIVIDUAL WHO IS NOT A DIRECTOR AND IS SERVING ON A COMMITTEE HAS, WITH RESPECT TO THE SUBJECT MATTER OF THE COMMITTEE, THE SAME RIGHTS, DUTIES, AND OBLIGATIONS AS A DIRECTOR SERVING ON THE COMMITTEE.

(4) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, AND SUBJECT TO THE OVERSIGHT RESPONSIBILITY OF THE BOARD OF DIRECTORS, EACH COMMITTEE OF A

LIMITED COOPERATIVE ASSOCIATION MAY EXERCISE THE POWERS DELEGATED TO IT BY THE BOARD OF DIRECTORS, BUT A COMMITTEE MAY NOT:

(a) APPROVE ALLOCATIONS OR DISTRIBUTIONS EXCEPT ACCORDING TO A FORMULA OR METHOD PRESCRIBED BY THE BOARD OF DIRECTORS;

(b) APPROVE OR PROPOSE TO MEMBERS ACTION REQUIRING APPROVAL OF MEMBERS; OR

(c) FILL VACANCIES ON THE BOARD OF DIRECTORS OR ANY OF ITS COMMITTEES.

7-58-818. Standards of conduct and liability. (1) EXCEPT AS OTHERWISE PROVIDED IN SECTION 7-58-820:

(a) THE DISCHARGE OF THE DUTIES OF A DIRECTOR OR MEMBER OF A COMMITTEE OF THE BOARD OF DIRECTORS IS GOVERNED BY THE LAW APPLICABLE TO DIRECTORS OF ENTITIES ORGANIZED UNDER THE "COLORADO BUSINESS CORPORATION ACT", ARTICLES 101 TO 117 OF THIS TITLE; AND

(b) THE LIABILITY OF A DIRECTOR OR MEMBER OF A COMMITTEE OF THE BOARD OF DIRECTORS IS GOVERNED BY THE LAW APPLICABLE TO DIRECTORS OF ENTITIES ORGANIZED UNDER THE "COLORADO BUSINESS CORPORATION ACT", ARTICLES 101 TO 117 OF THIS TITLE.

7-58-819. Conflict of interest. (1) THE LAW APPLICABLE TO CONFLICTS OF INTEREST RELATING TO A DIRECTOR OF AN ENTITY ORGANIZED UNDER THE "COLORADO BUSINESS CORPORATION ACT", ARTICLES 101 TO 117 OF THIS TITLE, GOVERNS CONFLICTS OF INTEREST RELATING TO A LIMITED COOPERATIVE ASSOCIATION AND A DIRECTOR.

(2) A DIRECTOR DOES NOT HAVE A CONFLICT OF INTEREST UNDER THIS ARTICLE OR THE ARTICLES AND BYLAWS SOLELY BECAUSE THE DIRECTOR'S CONDUCT RELATING TO THE DUTIES OF THE DIRECTOR MAY FURTHER THE DIRECTOR'S OWN INTEREST.

7-58-820. Other considerations of directors. (1) UNLESS THE ARTICLES OTHERWISE PROVIDE, IN CONSIDERING THE BEST INTERESTS OF A LIMITED COOPERATIVE ASSOCIATION, A DIRECTOR OF THE ASSOCIATION IN DISCHARGING THE DUTIES OF DIRECTOR, IN CONJUNCTION WITH CONSIDERING THE LONG- AND SHORT-TERM INTEREST OF THE ASSOCIATION AND ITS MEMBERS, MAY CONSIDER:

(a) THE INTEREST OF EMPLOYEES, CUSTOMERS, AND SUPPLIERS OF THE ASSOCIATION;

(b) THE INTEREST OF THE COMMUNITY IN WHICH THE ASSOCIATION OPERATES; AND

(c) OTHER COOPERATIVE PRINCIPLES AND VALUES THAT MAY BE APPLIED IN THE CONTEXT OF THE DECISION.

7-58-821. Right of director or committee member to information. A

DIRECTOR OR A MEMBER OF A COMMITTEE APPOINTED UNDER SECTION 7-58-817 MAY OBTAIN, INSPECT, AND COPY ALL INFORMATION REGARDING THE STATE OF ACTIVITIES AND FINANCIAL CONDITION OF THE LIMITED COOPERATIVE ASSOCIATION AND OTHER INFORMATION REGARDING THE ACTIVITIES OF THE ASSOCIATION IF THE INFORMATION IS REASONABLY RELATED TO THE PERFORMANCE OF THE DIRECTOR'S DUTIES AS DIRECTOR OR THE COMMITTEE MEMBER'S DUTIES AS A MEMBER OF THE COMMITTEE. INFORMATION OBTAINED IN ACCORDANCE WITH THIS SECTION MAY NOT BE USED BY A DIRECTOR OR A COMMITTEE MEMBER IN ANY MANNER THAT WOULD VIOLATE ANY DUTY OF OR TO THE ASSOCIATION.

7-58-822. Appointment and authority of officers. (1) A LIMITED COOPERATIVE ASSOCIATION HAS THE OFFICERS:

(a) PROVIDED IN THE ARTICLES OR BYLAWS; OR

(b) ESTABLISHED BY THE BOARD OF DIRECTORS IN A MANNER NOT INCONSISTENT WITH THE ARTICLES AND BYLAWS.

(2) THE ARTICLES OR BYLAWS MAY DESIGNATE OR, IF THE ARTICLES OR BYLAWS DO NOT DESIGNATE, THE BOARD OF DIRECTORS SHALL DESIGNATE, ONE OF THE ASSOCIATION'S OFFICERS FOR PREPARING ALL RECORDS REQUIRED BY SECTION 7-58-112 AND FOR THE AUTHENTICATION OF RECORDS.

(3) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, THE BOARD OF DIRECTORS SHALL APPOINT THE OFFICERS OF THE LIMITED COOPERATIVE ASSOCIATION.

(4) OFFICERS OF A LIMITED COOPERATIVE ASSOCIATION SHALL PERFORM THE DUTIES THE ARTICLES AND BYLAWS PRESCRIBE OR AS AUTHORIZED BY THE BOARD OF DIRECTORS IN A MANNER NOT INCONSISTENT WITH THE ARTICLES AND BYLAWS.

(5) THE ELECTION OR APPOINTMENT OF AN OFFICER OF A LIMITED COOPERATIVE ASSOCIATION DOES NOT OF ITSELF CREATE A CONTRACT BETWEEN THE ASSOCIATION AND THE OFFICER.

(6) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, AN INDIVIDUAL MAY SIMULTANEOUSLY HOLD MORE THAN ONE OFFICE IN A LIMITED COOPERATIVE ASSOCIATION.

7-58-823. Resignation and removal of officers. (1) THE BOARD OF DIRECTORS MAY REMOVE AN OFFICER AT ANY TIME WITH OR WITHOUT CAUSE.

(2) AN OFFICER OF A LIMITED COOPERATIVE ASSOCIATION MAY RESIGN AT ANY TIME BY GIVING NOTICE IN A RECORD TO THE ASSOCIATION. UNLESS THE NOTICE SPECIFIES A LATER TIME, THE RESIGNATION IS EFFECTIVE WHEN THE NOTICE IS RECEIVED BY THE ASSOCIATION.

PART 9 INDEMNIFICATION

7-58-901. Indemnification. (1) INDEMNIFICATION OF AN INDIVIDUAL WHO HAS

INCURRED LIABILITY OR IS A PARTY, OR IS THREATENED TO BE MADE A PARTY, TO LITIGATION BECAUSE OF THE PERFORMANCE OF A DUTY TO, OR ACTIVITY ON BEHALF OF, A LIMITED COOPERATIVE ASSOCIATION IS GOVERNED BY THE "COLORADO BUSINESS CORPORATION ACT", ARTICLES 101 TO 117 OF THIS TITLE.

(2) A LIMITED COOPERATIVE ASSOCIATION MAY PURCHASE AND MAINTAIN INSURANCE ON BEHALF OF ANY INDIVIDUAL AGAINST LIABILITY ASSERTED AGAINST OR INCURRED BY THE INDIVIDUAL TO THE SAME EXTENT AND SUBJECT TO THE SAME CONDITIONS AS PROVIDED BY THE "COLORADO BUSINESS CORPORATION ACT", ARTICLES 101 TO 117 OF THIS TITLE.

PART 10 CONTRIBUTIONS, ALLOCATIONS, AND DISTRIBUTIONS

7-58-1001. Members' contributions. THE ARTICLES OR BYLAWS MUST ESTABLISH THE AMOUNT, MANNER, OR METHOD OF DETERMINING ANY CONTRIBUTION REQUIREMENTS FOR MEMBERS OR MUST AUTHORIZE THE BOARD OF DIRECTORS TO ESTABLISH THE AMOUNT, MANNER, OR OTHER METHOD OF DETERMINING ANY CONTRIBUTION REQUIREMENTS FOR MEMBERS.

7-58-1002. Contribution and valuation. (1) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, THE CONTRIBUTIONS OF A MEMBER TO A LIMITED COOPERATIVE ASSOCIATION MAY CONSIST OF TANGIBLE OR INTANGIBLE PROPERTY OR OTHER BENEFIT TO THE ASSOCIATION, INCLUDING MONEY, LABOR OR OTHER SERVICES PERFORMED OR TO BE PERFORMED, PROMISSORY NOTES, OTHER AGREEMENTS TO CONTRIBUTE MONEY OR PROPERTY, AND CONTRACTS TO BE PERFORMED.

(2) THE RECEIPT AND ACCEPTANCE OF CONTRIBUTIONS AND THE VALUATION OF CONTRIBUTIONS MUST BE REFLECTED IN A LIMITED COOPERATIVE ASSOCIATION'S RECORDS.

(3) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, THE BOARD OF DIRECTORS SHALL DETERMINE THE VALUE OF A MEMBER'S CONTRIBUTIONS RECEIVED OR TO BE RECEIVED, AND THE DETERMINATION BY THE BOARD OF DIRECTORS OF VALUATION IS CONCLUSIVE FOR PURPOSES OF DETERMINING WHETHER THE MEMBER'S CONTRIBUTION OBLIGATION HAS BEEN MET.

7-58-1003. Contribution agreements. PERSONS MAY ENTER INTO AGREEMENTS TO MAKE CONTRIBUTIONS TO A LIMITED COOPERATIVE ASSOCIATION BEFORE OR AFTER IT IS FORMED. THOSE AGREEMENTS ARE ENFORCEABLE BY THE ASSOCIATION IN ACCORDANCE WITH THEIR TERMS.

7-58-1004. Allocations of profits and losses. (1) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, ALL PROFITS AND LOSSES OF A LIMITED COOPERATIVE ASSOCIATION MUST BE ALLOCATED TO PATRON MEMBERS. UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, LOSSES OF THE ASSOCIATION MUST BE ALLOCATED IN THE SAME PROPORTION AS PROFITS.

(2) THE ARTICLES OR BYLAWS MAY PROVIDE FOR ALLOCATING PROFITS OF A LIMITED COOPERATIVE ASSOCIATION AMONG MEMBERS, AMONG PERSONS THAT ARE NOT MEMBERS BUT CONDUCT BUSINESS WITH THE ASSOCIATION, TO AN

UNALLOCATED ACCOUNT, OR TO ANY COMBINATION THEREOF.

(3) IF A LIMITED COOPERATIVE ASSOCIATION HAS INVESTOR MEMBERS, THE ARTICLES OR BYLAWS MAY NOT REDUCE THE ALLOCATION TO PATRON MEMBERS TO LESS THAN FIFTY PERCENT OF PROFITS. FOR PURPOSES OF THIS SUBSECTION (3), THE FOLLOWING RULES APPLY:

(a) AMOUNTS PAID OR DUE ON CONTRACTS FOR THE DELIVERY TO THE ASSOCIATION BY PATRON MEMBERS OF PRODUCTS, GOODS, OR SERVICES ARE NOT CONSIDERED AMOUNTS ALLOCATED TO PATRON MEMBERS.

(b) AMOUNTS PAID, DUE, OR ALLOCATED TO INVESTOR MEMBERS AS A STATED FIXED OR VARIABLE RATE OF RETURN ON INVESTMENT ARE NOT CONSIDERED AMOUNTS ALLOCATED TO INVESTOR MEMBERS IF THE DETERMINATION OF THE RETURN IS NOT RELATED TO OR BASED ON PROFITS.

(4) UNLESS PROHIBITED BY THE ARTICLES OR BYLAWS, IN DETERMINING THE PROFITS FOR ALLOCATION UNDER SUBSECTIONS (1), (2), AND (3) OF THIS SECTION, THE BOARD OF DIRECTORS MAY FIRST DEDUCT AND SET ASIDE A PART OF THE PROFITS TO CREATE OR ACCUMULATE:

(a) UNALLOCATED CAPITAL; AND

(b) REASONABLE UNALLOCATED RESERVES FOR SPECIFIC PURPOSES, INCLUDING EXPANSION AND REPLACEMENT OF CAPITAL ASSETS; EDUCATION, TRAINING, AND COOPERATIVE DEVELOPMENT; CREATION AND DISTRIBUTION OF INFORMATION CONCERNING PRINCIPLES OF COOPERATION; AND COMMUNITY RESPONSIBILITY.

(5) SUBJECT TO SUBSECTIONS (1) AND (6) OF THIS SECTION AND THE ARTICLES AND BYLAWS, THE BOARD OF DIRECTORS SHALL ALLOCATE THE AMOUNT REMAINING AFTER ANY DEDUCTION OR SETTING ASIDE OF AMOUNTS UNDER SUBSECTION (4) OF THIS SECTION:

(a) TO PATRON MEMBERS IN THE RATIO OF EACH MEMBER'S PATRONAGE TO THE TOTAL PATRONAGE OF ALL PATRON MEMBERS DURING THE PERIOD FOR WHICH ALLOCATIONS ARE TO BE MADE; AND

(b) TO INVESTOR MEMBERS, IF ANY, IN THE RATIO OF EACH INVESTOR MEMBER'S CONTRIBUTIONS TO THE TOTAL CONTRIBUTIONS OF ALL INVESTOR MEMBERS.

(6) FOR PURPOSES OF ALLOCATION OF PROFITS AND LOSSES OR SPECIFIC ITEMS OF PROFITS OR LOSSES OF A LIMITED COOPERATIVE ASSOCIATION TO MEMBERS, THE ARTICLES OR BYLAWS MAY ESTABLISH ALLOCATION UNITS OR METHODS BASED ON SEPARATE CLASSES OF MEMBERS OR, FOR PATRON MEMBERS, ON CLASS, FUNCTION, DIVISION, DISTRICT, DEPARTMENT, ALLOCATION UNITS, POOLING ARRANGEMENTS, MEMBERS' CONTRIBUTIONS, OR OTHER EQUITABLE METHODS.

7-58-1005. Distributions. (1) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE AND SUBJECT TO SECTION 7-58-1007, THE BOARD OF DIRECTORS MAY AUTHORIZE, AND THE LIMITED COOPERATIVE ASSOCIATION MAY MAKE, DISTRIBUTIONS TO MEMBERS.

(2) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, DISTRIBUTIONS TO MEMBERS MAY BE MADE IN ANY FORM, INCLUDING MONEY, CAPITAL CREDITS, ALLOCATED PATRONAGE EQUITIES, REVOLVING FUND CERTIFICATES, AND THE LIMITED COOPERATIVE ASSOCIATION'S OWN OR OTHER SECURITIES.

7-58-1006. Redemption or repurchase. PROPERTY DISTRIBUTED TO A MEMBER BY A LIMITED COOPERATIVE ASSOCIATION, OTHER THAN MONEY, MAY BE REDEEMED OR REPURCHASED AS PROVIDED IN THE ARTICLES OR BYLAWS, BUT A REDEMPTION OR REPURCHASE MAY NOT BE MADE WITHOUT AUTHORIZATION BY THE BOARD OF DIRECTORS. THE BOARD MAY WITHHOLD AUTHORIZATION FOR ANY REASON IN ITS SOLE DISCRETION. A REDEMPTION OR REPURCHASE IS TREATED AS A DISTRIBUTION FOR PURPOSES OF SECTION 7-58-1007.

7-58-1007. Limitation on distributions. (1) A LIMITED COOPERATIVE ASSOCIATION MAY NOT MAKE A DISTRIBUTION IF, AFTER THE DISTRIBUTION:

(a) THE ASSOCIATION WOULD NOT BE ABLE TO PAY ITS DEBTS AS THEY BECOME DUE IN THE ORDINARY COURSE OF THE ASSOCIATION'S ACTIVITIES; OR

(b) THE ASSOCIATION'S ASSETS WOULD BE LESS THAN THE SUM OF ITS TOTAL LIABILITIES.

(2) A LIMITED COOPERATIVE ASSOCIATION MAY BASE A DETERMINATION THAT A DISTRIBUTION IS NOT PROHIBITED UNDER SUBSECTION (1) OF THIS SECTION ON FINANCIAL STATEMENTS PREPARED ON THE BASIS OF ACCOUNTING PRACTICES AND PRINCIPLES THAT ARE REASONABLE IN THE CIRCUMSTANCES OR ON A FAIR VALUATION OR OTHER METHOD THAT IS REASONABLE IN THE CIRCUMSTANCES.

(3) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (4) OF THIS SECTION, THE EFFECT OF A DISTRIBUTION ALLOWED UNDER SUBSECTION (2) OF THIS SECTION IS MEASURED:

(a) IN THE CASE OF DISTRIBUTION BY PURCHASE, REDEMPTION, OR OTHER ACQUISITION OF FINANCIAL RIGHTS IN THE LIMITED COOPERATIVE ASSOCIATION, AS OF THE DATE MONEY OR OTHER PROPERTY IS TRANSFERRED OR DEBT IS INCURRED BY THE ASSOCIATION; AND

(b) IN ALL OTHER CASES, AS OF THE DATE:

(I) THE DISTRIBUTION IS AUTHORIZED, IF THE PAYMENT OCCURS NOT LATER THAN ONE HUNDRED TWENTY DAYS AFTER THAT DATE; OR

(II) THE PAYMENT IS MADE, IF PAYMENT OCCURS MORE THAN ONE HUNDRED TWENTY DAYS AFTER THE DISTRIBUTION IS AUTHORIZED.

(4) IF INDEBTEDNESS IS ISSUED AS A DISTRIBUTION, EACH PAYMENT OF PRINCIPAL OR INTEREST ON THE INDEBTEDNESS IS TREATED AS A DISTRIBUTION, THE EFFECT OF WHICH IS MEASURED ON THE DATE THE PAYMENT IS MADE.

(5) FOR PURPOSES OF THIS SECTION, "DISTRIBUTION" DOES NOT INCLUDE REASONABLE AMOUNTS PAID TO A MEMBER IN THE ORDINARY COURSE OF BUSINESS

AS PAYMENT OR COMPENSATION FOR COMMODITIES, GOODS, PAST OR PRESENT SERVICES, OR REASONABLE PAYMENTS MADE IN THE ORDINARY COURSE OF BUSINESS UNDER A BONA FIDE EMPLOYEE RETIREMENT OR OTHER BENEFITS PROGRAM.

7-58-1008. Liability for improper distributions - limitation of action. (1) A DIRECTOR WHO CONSENTS TO A DISTRIBUTION THAT VIOLATES SECTION 7-58-1007 IS PERSONALLY LIABLE TO THE LIMITED COOPERATIVE ASSOCIATION FOR THE AMOUNT OF THE DISTRIBUTION THAT EXCEEDS THE AMOUNT THAT COULD HAVE BEEN DISTRIBUTED WITHOUT THE VIOLATION IF IT IS ESTABLISHED THAT, IN CONSENTING TO THE DISTRIBUTION, THE DIRECTOR FAILED TO COMPLY WITH SECTION 7-58-818 OR 7-58-819.

(2) A MEMBER OR TRANSFEREE OF FINANCIAL RIGHTS THAT RECEIVED A DISTRIBUTION KNOWING THAT THE DISTRIBUTION WAS MADE IN VIOLATION OF SECTION 7-58-1007 IS PERSONALLY LIABLE TO THE LIMITED COOPERATIVE ASSOCIATION TO THE EXTENT THAT THE DISTRIBUTION EXCEEDED THE AMOUNT THAT COULD HAVE BEEN PROPERLY PAID.

(3) A DIRECTOR AGAINST WHOM AN ACTION IS COMMENCED UNDER SUBSECTION (1) OF THIS SECTION MAY:

(a) IMPLEAD IN THE ACTION ANY OTHER DIRECTOR WHO IS LIABLE UNDER SUBSECTION (1) OF THIS SECTION AND COMPEL CONTRIBUTION FROM THE DIRECTOR; AND

(b) IMPLEAD IN THE ACTION ANY PERSON THAT IS LIABLE UNDER SUBSECTION (2) OF THIS SECTION AND COMPEL CONTRIBUTION FROM THE PERSON IN THE AMOUNT THE PERSON RECEIVED AS DESCRIBED IN SUBSECTION (2) OF THIS SECTION.

(4) AN ACTION UNDER THIS SECTION IS BARRED IF IT IS COMMENCED LATER THAN THREE YEARS AFTER THE DISTRIBUTION.

7-58-1009. Relation to state securities law. ANY SECURITY, PATRONAGE REFUND, PER UNIT RETAIN CERTIFICATE, CAPITAL CREDIT, EVIDENCE OF MEMBERSHIP, PREFERRED EQUITY CERTIFICATE, OR OTHER EQUITY INSTRUMENT ISSUED, SOLD, OR REPORTED BY A LIMITED COOPERATIVE ASSOCIATION AS AN INVESTMENT IN ITS STOCK OR CAPITAL TO THE PATRON MEMBERS OF THE ASSOCIATION OR BY AN ENTITY SUBJECT TO THIS ARTICLE OR A SIMILAR LAW OF ANY OTHER JURISDICTION AND AUTHORIZED TO TRANSACT BUSINESS OR CONDUCT ACTIVITIES IN THIS STATE IS EXEMPT FROM THE SECURITIES LAWS CONTAINED IN THE "COLORADO SECURITIES ACT", ARTICLE 51 OF TITLE 11, C.R.S. SUCH SECURITIES, PATRONAGE REFUNDS, PER UNIT RETAIN CERTIFICATES, CAPITAL CREDITS, OR EVIDENCES OF MEMBERSHIP, PREFERRED EQUITY CERTIFICATES, OR OTHER EQUITY INSTRUMENTS MAY BE ISSUED, SOLD, OR REPORTED TO PATRON MEMBERS OF THE ASSOCIATION OR ENTITY LAWFULLY BY THE ISSUER OR ITS DIRECTORS, OFFICERS, MEMBERS, OR SALARIED EMPLOYEES WITHOUT THE NECESSITY OF THE ISSUE OR ITS DIRECTORS, OFFICERS, MEMBERS, OR EMPLOYEES BEING REGISTERED AS BROKERS OR DEALERS UNDER THE "COLORADO SECURITIES ACT", ARTICLE 51 OF TITLE 11, C.R.S.

7-58-1010. Alternative distribution of unclaimed property, distributions, redemptions, or payments. A LIMITED COOPERATIVE ASSOCIATION MAY PROVIDE

IN ITS ARTICLES OR BYLAWS FOR THE DISPOSITION OF FUNDS WHEN DECLARED PAYABLE BY THE ASSOCIATION AND REMAINING UNCLAIMED BY THE HOLDER FOR THREE YEARS AFTER NOTIFICATION HAS BEEN MAILED TO THE HOLDER'S LAST-KNOWN ADDRESS OF RECORD ON THE BOOKS OF THE ASSOCIATION, WHICH DISPOSITION MAY CONSIST OF TRANSFERRING THE FUNDS TO THE GENERAL OPERATING ACCOUNT OF THE ASSOCIATION.

PART 11
DISSOCIATION

7-58-1101. Member's dissociation. (1) A MEMBER HAS THE POWER TO DISSOCIATE AT ANY TIME, RIGHTFULLY OR WRONGFULLY, BY NOTICE IN A RECORD.

(2) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, A MEMBER'S DISSOCIATION FROM A LIMITED COOPERATIVE ASSOCIATION IS WRONGFUL ONLY IF THE DISSOCIATION:

(a) BREACHES AN EXPRESS PROVISION OF THE ARTICLES OR BYLAWS; OR

(b) OCCURS BEFORE THE TERMINATION OF THE LIMITED COOPERATIVE ASSOCIATION AND:

(I) THE PERSON IS EXPELLED AS A MEMBER UNDER PARAGRAPH (c) OR (d) OF SUBSECTION (4) OF THIS SECTION; OR

(II) IN THE CASE OF A PERSON THAT IS NOT AN INDIVIDUAL, TRUST OTHER THAN A BUSINESS TRUST, OR ESTATE, THE PERSON IS EXPELLED OR OTHERWISE DISSOCIATED AS A MEMBER BECAUSE IT DISSOLVED OR TERMINATED IN BAD FAITH.

(3) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, A PERSON THAT WRONGFULLY DISSOCIATES AS A MEMBER IS LIABLE TO THE LIMITED COOPERATIVE ASSOCIATION FOR DAMAGES CAUSED BY THE DISSOCIATION. THE LIABILITY IS IN ADDITION TO ANY OTHER DEBT, OBLIGATION, OR LIABILITY OF THE PERSON TO THE ASSOCIATION.

(4) A MEMBER IS DISSOCIATED FROM THE LIMITED COOPERATIVE ASSOCIATION AS A MEMBER WHEN:

(a) THE ASSOCIATION RECEIVES NOTICE FROM THE MEMBER IN A RECORD OF DISSOCIATION AS A MEMBER OR, IF THE MEMBER SPECIFIES IN THE NOTICE AN EFFECTIVE DATE LATER THAN THE DATE THE ASSOCIATION RECEIVED NOTICE, ON THAT LATER DATE;

(b) AN EVENT STATED IN THE ARTICLES OR BYLAWS AS CAUSING THE MEMBER'S DISSOCIATION AS A MEMBER OCCURS;

(c) THE MEMBER IS EXPELLED AS A MEMBER UNDER THE ARTICLES OR BYLAWS;

(d) THE MEMBER IS EXPELLED AS A MEMBER BY THE BOARD OF DIRECTORS BECAUSE:

(I) IT IS UNLAWFUL TO CARRY ON THE ASSOCIATION'S ACTIVITIES WITH THE MEMBER AS A MEMBER;

(II) THERE HAS BEEN A TRANSFER OF ALL THE MEMBER'S FINANCIAL RIGHTS IN THE ASSOCIATION, OTHER THAN:

(A) A CREATION OR PERFECTION OF A SECURITY INTEREST; OR

(B) A CHARGING ORDER IN EFFECT UNDER SECTION 7-58-605 THAT HAS NOT BEEN FORECLOSED;

(III) THE MEMBER IS A LIMITED LIABILITY COMPANY OR PARTNERSHIP THAT HAS BEEN DISSOLVED AND ITS BUSINESS IS BEING WOUND UP;

(IV) THE MEMBER IS A CORPORATION OR COOPERATIVE AND:

(A) THE MEMBER FILED A STATEMENT OF DISSOLUTION OR THE EQUIVALENT, OR THE JURISDICTION OF FORMATION REVOKED THE MEMBER'S CHARTER OR RIGHT TO CONDUCT BUSINESS;

(B) THE ASSOCIATION SENDS A NOTICE TO THE MEMBER THAT IT WILL BE EXPELLED AS A MEMBER FOR A REASON DESCRIBED IN SUB-SUBPARAGRAPH (A) OF THIS SUBPARAGRAPH (IV); AND

(C) NOT LATER THAN NINETY DAYS AFTER THE NOTICE WAS SENT UNDER SUB-SUBPARAGRAPH (B) OF THIS SUBPARAGRAPH (IV), THE MEMBER DID NOT REINSTATE OR THE JURISDICTION OF FORMATION DID NOT REINSTATE THE MEMBER'S CHARTER OR RIGHT TO CONDUCT BUSINESS; OR

(V) THE MEMBER IS AN INDIVIDUAL AND IS ADJUDGED INCOMPETENT;

(e) IN THE CASE OF A MEMBER WHO IS AN INDIVIDUAL, THE INDIVIDUAL DIES;

(f) IN THE CASE OF A MEMBER THAT IS A TRUST OR IS ACTING AS A MEMBER BY VIRTUE OF BEING A TRUSTEE OF A TRUST, ALL THE TRUST'S FINANCIAL RIGHTS IN THE ASSOCIATION ARE DISTRIBUTED;

(g) IN THE CASE OF A MEMBER THAT IS AN ESTATE, THE ESTATE'S ENTIRE FINANCIAL INTEREST IN THE ASSOCIATION IS DISTRIBUTED;

(h) IN THE CASE OF A MEMBER THAT IS NOT AN INDIVIDUAL, PARTNERSHIP, LIMITED LIABILITY COMPANY, COOPERATIVE, CORPORATION, TRUST, OR ESTATE, THE MEMBER IS TERMINATED; OR

(i) THE ASSOCIATION'S PARTICIPATION IN A MERGER IF, UNDER THE PLAN OF MERGER AS APPROVED UNDER PART 16 OF THIS ARTICLE, THE MEMBER CEASES TO BE A MEMBER.

7-58-1102. Effect of dissociation as member. (1) UPON A MEMBER'S DISSOCIATION, SUBJECT TO SECTION 7-58-1103:

(a) THE DISSOCIATED MEMBER HAS NO FURTHER RIGHTS AS A MEMBER; AND

(b) ANY FINANCIAL RIGHTS OWNED BY THE DISSOCIATED MEMBER IN THE DISSOCIATED MEMBER'S CAPACITY AS A MEMBER IMMEDIATELY BEFORE DISSOCIATION ARE OWNED BY THE DISSOCIATED MEMBER AS A TRANSFEREE.

(2) A DISSOCIATED MEMBER'S DISSOCIATION AS A MEMBER DOES NOT OF ITSELF DISCHARGE THE DISSOCIATED MEMBER FROM ANY DEBT, OBLIGATION, OR LIABILITY TO THE LIMITED COOPERATIVE ASSOCIATION THAT THE DISSOCIATED MEMBER INCURRED UNDER THE ARTICLES OR BYLAWS, BY CONTRACT, OR BY OTHER MEANS WHILE A MEMBER.

7-58-1103. Power of estate of member. UNLESS THE ARTICLES OR BYLAWS PROVIDE FOR GREATER RIGHTS, IF A MEMBER IS DISSOCIATED IN ACCORDANCE WITH SECTION 7-58-1101 (4) (d) (V) OR (4) (e), THE MEMBER'S PERSONAL REPRESENTATIVE OR OTHER LEGAL REPRESENTATIVE MAY EXERCISE THE RIGHTS OF A TRANSFEREE OF THE MEMBER'S FINANCIAL RIGHTS AND, FOR PURPOSES OF SETTLING THE ESTATE OF A DECEASED MEMBER, MAY EXERCISE THE INFORMATIONAL RIGHTS OF A CURRENT MEMBER TO OBTAIN INFORMATION UNDER SECTION 7-58-505 (1).

PART 12 DISSOLUTION

7-58-1201. Dissolution - winding up. A LIMITED COOPERATIVE ASSOCIATION MAY BE DISSOLVED ONLY AS PROVIDED IN THIS PART 12 AND IN PART 9 OF ARTICLE 90 OF THIS TITLE, AND UPON DISSOLUTION ITS BUSINESS AND ACTIVITIES MUST BE WOUND UP AS PROVIDED IN THIS PART 12 AND PART 9 OF ARTICLE 90 OF THIS TITLE.

7-58-1202. Voluntary dissolution. (1) EXCEPT AS OTHERWISE PROVIDED IN SECTIONS 7-58-1203 AND 7-90-908, A LIMITED COOPERATIVE ASSOCIATION IS DISSOLVED AND ITS ACTIVITIES MUST BE WOUND UP:

(a) UPON THE OCCURRENCE OF AN EVENT OR AT A TIME SPECIFIED IN THE ARTICLES;

(b) UPON THE ACTION OF THE ASSOCIATION'S ORGANIZERS, BOARD OF DIRECTORS, OR MEMBERS UNDER SECTION 7-58-1205 OR 7-58-1206; OR

(c) NINETY DAYS AFTER THE DISSOCIATION OF A MEMBER THAT RESULTS IN THE ASSOCIATION HAVING ONE PATRON MEMBER AND NO OTHER MEMBERS, UNLESS THE ASSOCIATION:

(I) HAS A SOLE MEMBER THAT IS A COOPERATIVE; OR

(II) NOT LATER THAN THE END OF THE NINETY-DAY PERIOD, ADMITS AT LEAST ONE MEMBER IN ACCORDANCE WITH THE ARTICLES OR BYLAWS AND HAS AT LEAST TWO MEMBERS, AT LEAST ONE OF WHICH IS A PATRON MEMBER.

7-58-1203. Judicial dissolution - grounds. (1) A LIMITED COOPERATIVE ASSOCIATION MAY BE DISSOLVED IN A PROCEEDING BROUGHT IN COURT BY THE

ATTORNEY GENERAL IF IT IS ESTABLISHED THAT:

(a) THE ASSOCIATION OBTAINED ITS ARTICLES OF ORGANIZATION THROUGH FRAUD; OR

(b) THE ASSOCIATION HAS CONTINUED TO EXCEED OR ABUSE THE AUTHORITY CONFERRED UPON IT BY LAW.

(2) A LIMITED COOPERATIVE ASSOCIATION MAY BE DISSOLVED IN A PROCEEDING BROUGHT IN COURT BY A MEMBER IF IT IS ESTABLISHED THAT:

(a) THE DIRECTORS ARE DEADLOCKED IN THE MANAGEMENT OF THE ASSOCIATION'S AFFAIRS, THE MEMBERS ARE UNABLE TO BREAK THE DEADLOCK, AND IRREPARABLE INJURY TO THE ASSOCIATION IS OCCURRING OR IS THREATENED BECAUSE OF THE DEADLOCK;

(b) THE DIRECTORS OR THOSE IN CONTROL OF THE ASSOCIATION HAVE ACTED, ARE ACTING, OR WILL ACT IN A MANNER THAT IS ILLEGAL, OPPRESSIVE, OR FRAUDULENT;

(c) THE MEMBERS ARE DEADLOCKED IN VOTING POWER AND HAVE FAILED TO ELECT SUCCESSORS TO DIRECTORS WHOSE TERMS HAVE EXPIRED FOR TWO CONSECUTIVE PERIODS DURING WHICH ANNUAL MEMBERS MEETINGS WERE HELD OR WERE TO BE HELD; OR

(d) THE ASSETS OF THE ASSOCIATION ARE BEING MISAPPLIED OR WASTED.

(3) A LIMITED COOPERATIVE ASSOCIATION MAY BE DISSOLVED IN A PROCEEDING BROUGHT IN COURT BY A CREDITOR IF IT IS ESTABLISHED THAT:

(a) A CREDITOR'S CLAIM HAS BEEN REDUCED TO JUDGMENT, THE EXECUTION ON THE JUDGMENT HAS BEEN RETURNED UNSATISFIED, AND THE ASSOCIATION IS INSOLVENT; OR

(b) THE ASSOCIATION IS INSOLVENT AND THE ASSOCIATION HAS ADMITTED IN WRITING THAT A CREDITOR'S CLAIM IS DUE AND OWING.

(4) IN LIEU OF DISSOLUTION IN A PROCEEDING DESCRIBED IN SUBSECTION (1), (2), OR (3) OF THIS SECTION, THE COURT MAY ORDER ANY OTHER RELIEF THAT IS APPROPRIATE AND EQUITABLE.

7-58-1204. Judicial dissolution - procedure. (1) A JUDICIAL PROCEEDING TO DISSOLVE A LIMITED COOPERATIVE ASSOCIATION MUST BE BROUGHT IN THE PROPER COURT.

(2) IT IS NOT NECESSARY TO MAKE MEMBERS PARTIES TO A JUDICIAL PROCEEDING TO DISSOLVE A LIMITED COOPERATIVE ASSOCIATION UNLESS RELIEF IS SOUGHT AGAINST THEM INDIVIDUALLY.

(3) A COURT IN A JUDICIAL PROCEEDING BROUGHT TO DISSOLVE A LIMITED COOPERATIVE ASSOCIATION MAY ISSUE INJUNCTIONS, APPOINT A RECEIVER OR CUSTODIAN PENDENTE LITE WITH ALL POWERS AND DUTIES THE COURT DIRECTS,

TAKE OTHER ACTION REQUIRED TO PRESERVE THE LIMITED LIABILITY COMPANY'S ASSETS WHEREVER LOCATED, AND CARRY ON THE BUSINESS OF THE ASSOCIATION UNTIL A FULL HEARING CAN BE HELD.

7-58-1205. Voluntary dissolution before commencement of activity. A MAJORITY OF THE ORGANIZERS OR INITIAL DIRECTORS OF A LIMITED COOPERATIVE ASSOCIATION THAT HAS NOT YET BEGUN BUSINESS ACTIVITY OR THE CONDUCT OF ITS AFFAIRS MAY DISSOLVE THE ASSOCIATION.

7-58-1206. Voluntary dissolution by the board and members. (1) EXCEPT AS OTHERWISE PROVIDED IN SECTION 7-58-1205, FOR A LIMITED COOPERATIVE ASSOCIATION TO VOLUNTARILY DISSOLVE:

(a) A RESOLUTION TO DISSOLVE MUST BE APPROVED BY A MAJORITY VOTE OF THE BOARD OF DIRECTORS UNLESS A GREATER PERCENTAGE IS REQUIRED BY THE ARTICLES OR BYLAWS;

(b) THE BOARD OF DIRECTORS MUST CALL A MEMBERS MEETING TO CONSIDER THE RESOLUTION, TO BE HELD NOT LATER THAN NINETY DAYS AFTER ADOPTION OF THE RESOLUTION; AND

(c) THE BOARD OF DIRECTORS MUST MAIL OR OTHERWISE TRANSMIT OR DELIVER TO EACH MEMBER IN A RECORD THAT COMPLIES WITH SECTION 7-58-508:

(I) THE RESOLUTION REQUIRED BY PARAGRAPH (a) OF THIS SUBSECTION (1);

(II) A RECOMMENDATION THAT THE MEMBERS VOTE IN FAVOR OF THE RESOLUTION OR, IF THE BOARD DETERMINES THAT BECAUSE OF CONFLICT OF INTEREST OR ANY OTHER REASON IT SHOULD NOT MAKE A FAVORABLE RECOMMENDATION, THE BASIS OF THAT DETERMINATION; AND

(III) NOTICE OF THE MEMBERS MEETING, WHICH MUST BE GIVEN IN THE SAME MANNER AS NOTICE OF A SPECIAL MEETING OF MEMBERS.

(2) SUBJECT TO SUBSECTION (3) OF THIS SECTION, A RESOLUTION TO DISSOLVE MUST BE APPROVED BY:

(a) AT LEAST TWO-THIRDS OF THE VOTING POWER OF MEMBERS PRESENT AT A MEMBERS MEETING CALLED UNDER PARAGRAPH (b) OF SUBSECTION (1) OF THIS SECTION; AND

(b) IF THE LIMITED COOPERATIVE ASSOCIATION HAS INVESTOR MEMBERS, AT LEAST A MAJORITY OF THE VOTES CAST BY PATRON MEMBERS, UNLESS THE ARTICLES OR BYLAWS REQUIRE A GREATER PERCENTAGE.

(3) THE ARTICLES OR BYLAWS MAY REQUIRE THAT THE PERCENTAGE OF VOTES REQUIRED UNDER PARAGRAPH (a) OF SUBSECTION (2) OF THIS SECTION IS:

(a) A DIFFERENT PERCENTAGE THAT IS NOT LESS THAN A MAJORITY OF MEMBERS VOTING AT THE MEETING;

- (b) MEASURED AGAINST THE VOTING POWER OF ALL MEMBERS; OR
- (c) A COMBINATION OF PARAGRAPHS (a) AND (b) OF THIS SUBSECTION (3).

7-58-1207. Winding up. (1) A LIMITED COOPERATIVE ASSOCIATION CONTINUES ITS EXISTENCE AFTER DISSOLUTION ONLY FOR PURPOSES OF WINDING UP ITS ACTIVITIES.

(2) IN WINDING UP A LIMITED COOPERATIVE ASSOCIATION'S ACTIVITIES, THE BOARD OF DIRECTORS SHALL CAUSE THE ASSOCIATION TO:

- (a) COLLECT ITS ASSETS;
- (b) PRESERVE THE ASSOCIATION OR ITS PROPERTY AS A GOING CONCERN FOR NO MORE THAN A REASONABLE TIME;
- (c) PROSECUTE AND DEFEND ACTIONS AND PROCEEDINGS;
- (d) DISPOSE OF ITS PROPERTIES THAT WILL NOT BE DISTRIBUTED IN KIND TO ITS MEMBERS;
- (e) DISCHARGE OR MAKE PROVISION FOR DISCHARGING ITS LIABILITIES;
- (f) DISTRIBUTE ITS REMAINING PROPERTY AMONG ITS MEMBERS; AND
- (g) DO EVERY OTHER ACT NECESSARY TO WIND UP AND LIQUIDATE ITS BUSINESS AND AFFAIRS.

(3) AFTER DISSOLUTION AND UPON APPLICATION OF A LIMITED COOPERATIVE ASSOCIATION, A MEMBER, OR A HOLDER OF FINANCIAL RIGHTS, THE PROPER COURT MAY ORDER JUDICIAL SUPERVISION OF THE WINDING UP OF THE ASSOCIATION, INCLUDING THE APPOINTMENT OF A PERSON TO WIND UP THE ASSOCIATION'S ACTIVITIES, IF:

- (a) AFTER A REASONABLE TIME, THE ASSOCIATION HAS NOT WOUND UP ITS ACTIVITIES; OR
- (b) THE APPLICANT ESTABLISHES OTHER GOOD CAUSE.

7-58-1208. Distribution of assets in winding up. (1) IN WINDING UP A LIMITED COOPERATIVE ASSOCIATION'S BUSINESS, THE ASSOCIATION SHALL APPLY ITS ASSETS TO DISCHARGE ITS OBLIGATIONS TO CREDITORS, INCLUDING MEMBERS THAT ARE CREDITORS. THE ASSOCIATION SHALL APPLY ANY REMAINING ASSETS TO PAY IN MONEY THE NET AMOUNT DISTRIBUTABLE TO MEMBERS IN ACCORDANCE WITH THEIR RIGHT TO DISTRIBUTIONS UNDER SUBSECTION (2) OF THIS SECTION.

(2) UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, IN THIS SUBSECTION (2), "FINANCIAL INTERESTS" MEANS THE AMOUNTS RECORDED IN THE NAMES OF MEMBERS IN THE RECORDS OF A LIMITED COOPERATIVE ASSOCIATION AT THE TIME A DISTRIBUTION IS MADE, INCLUDING AMOUNTS PAID TO BECOME A MEMBER, AMOUNTS ALLOCATED BUT NOT DISTRIBUTED TO MEMBERS, AND AMOUNTS OF

DISTRIBUTIONS AUTHORIZED BUT NOT YET PAID TO MEMBERS. UNLESS THE ARTICLES OR BYLAWS OTHERWISE PROVIDE, EACH MEMBER IS ENTITLED TO A DISTRIBUTION FROM THE ASSOCIATION OF ANY REMAINING ASSETS IN THE PROPORTION OF THE MEMBER'S FINANCIAL INTERESTS TO THE TOTAL FINANCIAL INTERESTS OF THE MEMBERS AFTER ALL OTHER OBLIGATIONS ARE SATISFIED.

7-58-1209. Court proceeding. (1) UPON APPLICATION BY A DISSOLVED LIMITED COOPERATIVE ASSOCIATION THAT HAS PUBLISHED A NOTICE UNDER SECTION 7-90-912, THE PROPER COURT MAY DETERMINE THE AMOUNT AND FORM OF SECURITY TO BE PROVIDED FOR PAYMENT OF CLAIMS AGAINST THE ASSOCIATION THAT ARE CONTINGENT, HAVE NOT BEEN MADE KNOWN TO THE ASSOCIATION, OR ARE BASED ON AN EVENT OCCURRING AFTER THE EFFECTIVE DATE OF DISSOLUTION BUT THAT, BASED ON THE FACTS KNOWN TO THE ASSOCIATION, ARE REASONABLY ANTICIPATED TO ARISE AFTER THE EFFECTIVE DATE OF DISSOLUTION.

(2) NOT LATER THAN TEN DAYS AFTER FILING AN APPLICATION UNDER SUBSECTION (1) OF THIS SECTION, A DISSOLVED LIMITED COOPERATIVE ASSOCIATION SHALL GIVE NOTICE OF THE PROCEEDING TO EACH KNOWN CLAIMANT HOLDING A CONTINGENT CLAIM.

(3) THE COURT MAY APPOINT A REPRESENTATIVE IN A PROCEEDING BROUGHT UNDER THIS SECTION TO REPRESENT ALL CLAIMANTS WHOSE IDENTITIES ARE UNKNOWN. THE DISSOLVED LIMITED COOPERATIVE ASSOCIATION SHALL PAY REASONABLE FEES AND EXPENSES OF THE REPRESENTATIVE, INCLUDING ALL REASONABLE ATTORNEY FEES AND EXPERT WITNESS FEES.

(4) PROVISION BY THE DISSOLVED LIMITED COOPERATIVE ASSOCIATION FOR SECURITY IN THE AMOUNT AND THE FORM ORDERED BY THE COURT SATISFIES THE ASSOCIATION'S OBLIGATIONS WITH RESPECT TO CLAIMS THAT ARE CONTINGENT, HAVE NOT BEEN MADE KNOWN TO THE ASSOCIATION, OR ARE BASED ON AN EVENT OCCURRING AFTER THE EFFECTIVE DATE OF DISSOLUTION, AND THE CLAIMS SHALL NOT BE ENFORCED AGAINST A MEMBER THAT RECEIVED A DISTRIBUTION.

7-58-1210. Statement of dissolution. (1) UPON DISSOLUTION, THE LIMITED COOPERATIVE ASSOCIATION SHALL DELIVER TO THE SECRETARY OF STATE, FOR FILING PURSUANT TO PART 3 OF ARTICLE 90 OF THIS TITLE, A STATEMENT OF DISSOLUTION STATING:

(a) THE DOMESTIC ENTITY NAME OF THE LIMITED COOPERATIVE ASSOCIATION;
AND

(b) THE PRINCIPAL OFFICE ADDRESS OF THE LIMITED COOPERATIVE ASSOCIATION'S PRINCIPAL OFFICE.

(2) A LIMITED COOPERATIVE ASSOCIATION IS DISSOLVED AS PROVIDED IN SECTION 7-58-1202, 7-58-1203, OR 7-90-908.

(3) A PERSON WHO IS NOT A DIRECTOR OR MEMBER HAS NOTICE OF THE DISSOLUTION OF A LIMITED COOPERATIVE ASSOCIATION ON THE EARLIER OF:

(a) THE NINETIETH DAY AFTER THE LIMITED COOPERATIVE ASSOCIATION'S

STATEMENT OF DISSOLUTION IS ON FILE WITH THE SECRETARY OF STATE; OR

(b) THE DATE ON WHICH THE PERSON FIRST HAS ACTUAL KNOWLEDGE OF THE DISSOLUTION.

PART 13
ACTION BY MEMBER

7-58-1301. Derivative action. (1) A MEMBER MAY MAINTAIN A DERIVATIVE ACTION TO ENFORCE A RIGHT OF A LIMITED COOPERATIVE ASSOCIATION IF:

(a) THE MEMBER DEMANDS IN A RECORD THAT THE ASSOCIATION BRING AN ACTION TO ENFORCE THE RIGHT; AND

(b) ANY OF THE FOLLOWING OCCUR:

(I) THE ASSOCIATION DOES NOT, WITHIN NINETY DAYS AFTER THE ASSOCIATION RECEIVES THE DEMAND, AGREE TO BRING THE ACTION;

(II) THE ASSOCIATION NOTIFIES THE MEMBER IN A RECORD THAT IT HAS REJECTED THE DEMAND;

(III) IRREPARABLE HARM TO THE ASSOCIATION WOULD RESULT BY WAITING NINETY DAYS AFTER THE ASSOCIATION RECEIVES THE DEMAND; OR

(IV) THE ASSOCIATION AGREES TO BRING AN ACTION DEMANDED AND FAILS TO BRING THE ACTION WITHIN A REASONABLE TIME.

7-58-1302. Proper plaintiff. (1) A DERIVATIVE ACTION TO ENFORCE A RIGHT OF A LIMITED COOPERATIVE ASSOCIATION MAY BE MAINTAINED ONLY BY A PERSON THAT:

(a) IS A MEMBER OR A DISSOCIATED MEMBER AT THE TIME THE ACTION IS COMMENCED AND:

(I) WAS A MEMBER WHEN THE CONDUCT GIVING RISE TO THE ACTION OCCURRED; OR

(II) WHOSE STATUS AS A MEMBER DEVOLVED UPON THE PERSON BY OPERATION OF LAW OR THE ARTICLES OR BYLAWS FROM A PERSON THAT WAS A MEMBER AT THE TIME OF THE CONDUCT; AND

(b) ADEQUATELY REPRESENTS THE INTERESTS OF THE ASSOCIATION.

(2) IF THE SOLE PLAINTIFF IN A DERIVATIVE ACTION DIES WHILE THE ACTION IS PENDING, THE COURT MAY PERMIT ANOTHER MEMBER WHO MEETS THE REQUIREMENTS OF SUBSECTION (1) OF THIS SECTION TO BE SUBSTITUTED AS PLAINTIFF.

7-58-1303. Pleading. (1) IN A DERIVATIVE ACTION TO ENFORCE A RIGHT OF A LIMITED COOPERATIVE ASSOCIATION, THE COMPLAINT MUST STATE:

(a) THE DATE AND CONTENT OF THE PLAINTIFF'S DEMAND UNDER SECTION 7-58-1301 (1) (a) AND THE ASSOCIATION'S RESPONSE;

(b) IF NINETY DAYS HAVE NOT EXPIRED SINCE THE DEMAND WAS RECEIVED BY THE ASSOCIATION, HOW IRREPARABLE HARM TO THE ASSOCIATION WOULD RESULT BY WAITING FOR THE EXPIRATION OF NINETY DAYS; AND

(c) IF THE ASSOCIATION AGREED TO BRING AN ACTION DEMANDED, THAT THE ACTION HAS NOT BEEN BROUGHT WITHIN A REASONABLE TIME.

7-58-1304. Approval for discontinuance or settlement. A DERIVATIVE ACTION TO ENFORCE A RIGHT OF A LIMITED COOPERATIVE ASSOCIATION MAY NOT BE DISCONTINUED OR SETTLED WITHOUT NOTICE TO THE ASSOCIATION AND THE COURT'S APPROVAL.

7-58-1305. Proceeds and expenses. (1) EXCEPT AS OTHERWISE PROVIDED IN SUBSECTION (2) OF THIS SECTION:

(a) ANY PROCEEDS OR OTHER BENEFITS OF A DERIVATIVE ACTION TO ENFORCE A RIGHT OF A LIMITED COOPERATIVE ASSOCIATION, WHETHER BY JUDGMENT, COMPROMISE, OR SETTLEMENT, BELONG TO THE ASSOCIATION AND NOT TO THE PLAINTIFF; AND

(b) IF THE PLAINTIFF IN THE DERIVATIVE ACTION RECEIVES ANY PROCEEDS, THE PLAINTIFF SHALL IMMEDIATELY REMIT THEM TO THE ASSOCIATION.

(2) IF A DERIVATIVE ACTION TO ENFORCE A RIGHT OF A LIMITED COOPERATIVE ASSOCIATION IS SUCCESSFUL IN WHOLE OR IN PART, THE COURT MAY AWARD THE PLAINTIFF REASONABLE EXPENSES, INCLUDING REASONABLE ATTORNEY FEES AND COSTS, FROM THE RECOVERY OF THE ASSOCIATION IF NOT OTHERWISE AWARDED AGAINST THE DEFENDANT.

(3) ON THE TERMINATION OF A DERIVATIVE PROCEEDING COMMENCED PURSUANT TO THIS PART 13, WHERE THE COURT FINDS THAT THE PROCEEDING WAS COMMENCED OR MAINTAINED WITHOUT REASONABLE CAUSE OR FOR AN IMPROPER PURPOSE, THE COURT MAY ORDER THE PLAINTIFF TO PAY ANY OF THE DEFENDANT'S REASONABLE EXPENSES, INCLUDING ATTORNEY FEES, INCURRED BY THE DEFENDANT IN CONNECTION WITH THE DEFENSE OF THE PROCEEDING.

7-58-1306. Applicability of derivative proceeding to foreign limited cooperative associations. IN ANY DERIVATIVE PROCEEDING IN THE RIGHT OF A FOREIGN LIMITED COOPERATIVE ASSOCIATION, THE RIGHT OF A PERSON TO COMMENCE OR MAINTAIN A DERIVATIVE PROCEEDING IN THE RIGHT OF A FOREIGN LIMITED COOPERATIVE ASSOCIATION AND ANY MATTERS RAISED IN THE PROCEEDING COVERED BY SECTIONS 7-58-1301 TO 7-58-1305 ARE GOVERNED BY THE LAW OF THE JURISDICTION UNDER WHICH THE FOREIGN LIMITED COOPERATIVE ASSOCIATION WAS FORMED; EXCEPT THAT ANY MATTERS RAISED IN THE PROCEEDING COVERED BY SECTION 7-58-1304 ARE GOVERNED BY THE LAW OF THIS STATE.

PART 14
FOREIGN COOPERATIVES

7-58-1401. Authority to transact business or conduct activities required.

PART 8 OF ARTICLE 90 OF THIS TITLE, PROVIDING FOR THE TRANSACTION OF BUSINESS OR THE CONDUCT OF ACTIVITIES BY FOREIGN ENTITIES, APPLIES TO FOREIGN LIMITED COOPERATIVE ASSOCIATIONS.

7-58-1402. Registered agent - service of process. PART 7 OF ARTICLE 90 OF THIS TITLE, PROVIDING FOR REGISTERED AGENTS AND SERVICE OF PROCESS, APPLIES TO FOREIGN LIMITED COOPERATIVE ASSOCIATIONS.

PART 15
DISPOSITION OF ASSETS

7-58-1501. Disposition of assets not requiring member approval. (1) UNLESS THE ARTICLES OF ORGANIZATION OTHERWISE PROVIDE, MEMBER APPROVAL UNDER SECTION 7-58-1502 IS NOT REQUIRED FOR A LIMITED COOPERATIVE ASSOCIATION TO:

(a) SELL, LEASE, EXCHANGE, LICENSE, OR OTHERWISE DISPOSE OF ALL OR ANY PART OF THE ASSETS OF THE ASSOCIATION IN THE USUAL AND REGULAR COURSE OF BUSINESS; OR

(b) MORTGAGE, PLEDGE, DEDICATE TO THE REPAYMENT OF INDEBTEDNESS, OR OTHERWISE ENCUMBER IN ANY WAY ALL OR ANY PART OF THE ASSETS OF THE ASSOCIATION, WHETHER OR NOT IN THE USUAL AND REGULAR COURSE OF BUSINESS.

7-58-1502. Member approval of other disposition or encumbrance of assets.

A SALE, LEASE, EXCHANGE, LICENSE, OR OTHER DISPOSITION OF ASSETS OR AN ENCUMBRANCE OF ASSETS OF A LIMITED COOPERATIVE ASSOCIATION, OTHER THAN A DISPOSITION OR ENCUMBRANCE DESCRIBED IN SECTION 7-58-1501, REQUIRES APPROVAL OF THE ASSOCIATION'S MEMBERS UNDER SECTIONS 7-58-1503 AND 7-58-1504.

7-58-1503. Notice and action on disposition or encumbrance of assets.

(1) FOR A LIMITED COOPERATIVE ASSOCIATION TO DISPOSE OF OR ENCUMBER ASSETS UNDER SECTION 7-58-1502:

(a) A MAJORITY OF THE BOARD OF DIRECTORS, OR A GREATER PERCENTAGE IF REQUIRED BY THE ARTICLES OR BYLAWS, MUST APPROVE THE PROPOSED DISPOSITION OR ENCUMBRANCE; AND

(b) THE BOARD OF DIRECTORS MUST CALL A MEMBERS MEETING TO CONSIDER THE PROPOSED DISPOSITION OR ENCUMBRANCE, HOLD THE MEETING NOT LATER THAN NINETY DAYS AFTER APPROVAL OF THE PROPOSED DISPOSITION OR ENCUMBRANCE BY THE BOARD, AND MAIL OR OTHERWISE TRANSMIT OR DELIVER IN A RECORD TO EACH MEMBER:

(I) THE TERMS OF THE PROPOSED DISPOSITION OR ENCUMBRANCE;

(II) A RECOMMENDATION THAT THE MEMBERS APPROVE THE DISPOSITION OR ENCUMBRANCE OR, IF THE BOARD DETERMINES THAT BECAUSE OF CONFLICT OF INTEREST OR ANY OTHER REASON IT SHOULD NOT MAKE A FAVORABLE RECOMMENDATION, THE BASIS FOR THAT DETERMINATION;

(III) A STATEMENT OF ANY CONDITION OF THE BOARD'S SUBMISSION OF THE PROPOSED DISPOSITION OR ENCUMBRANCE TO THE MEMBERS; AND

(IV) NOTICE OF THE MEETING AT WHICH THE PROPOSED DISPOSITION OR ENCUMBRANCE WILL BE CONSIDERED, WHICH NOTICE MUST BE GIVEN IN THE SAME MANNER AS NOTICE OF A SPECIAL MEETING OF MEMBERS.

7-58-1504. Disposition or encumbrance of assets. (1) SUBJECT TO SUBSECTION (2) OF THIS SECTION, A DISPOSITION OR ENCUMBRANCE OF ASSETS UNDER SECTION 7-58-1502 MUST BE APPROVED BY:

(a) AT LEAST A MAJORITY OF THE VOTING POWER OF MEMBERS PRESENT AT A MEMBERS MEETING CALLED UNDER SECTION 7-58-1503 (1) (b); AND

(b) IF THE LIMITED COOPERATIVE ASSOCIATION HAS INVESTOR MEMBERS, AT LEAST A MAJORITY OF THE VOTES CAST BY PATRON MEMBERS, UNLESS THE ARTICLES OR BYLAWS REQUIRE A GREATER PERCENTAGE VOTE BY PATRON MEMBERS.

(2) THE ARTICLES OR BYLAWS MAY REQUIRE THAT THE PERCENTAGE OF VOTES REQUIRED UNDER PARAGRAPH (a) OF SUBSECTION (1) OF THIS SECTION IS:

(a) A DIFFERENT PERCENTAGE THAT IS NOT LESS THAN A MAJORITY OF MEMBERS VOTING AT THE MEETING;

(b) MEASURED AGAINST THE VOTING POWER OF ALL MEMBERS; OR

(c) A COMBINATION OF PARAGRAPHS (a) AND (b) OF THIS SUBSECTION (2).

(3) SUBJECT TO ANY CONTRACTUAL OBLIGATIONS, AFTER A DISPOSITION OR ENCUMBRANCE OF ASSETS IS APPROVED AND AT ANY TIME BEFORE THE CONSUMMATION OF THE DISPOSITION OR ENCUMBRANCE, A LIMITED COOPERATIVE ASSOCIATION MAY APPROVE AN AMENDMENT TO THE CONTRACT FOR THE DISPOSITION OR ENCUMBRANCE OR THE RESOLUTION AUTHORIZING THE DISPOSITION OR ENCUMBRANCE OR APPROVE ABANDONMENT OF THE DISPOSITION OR ENCUMBRANCE:

(a) AS PROVIDED IN THE CONTRACT OR THE RESOLUTION; AND

(b) EXCEPT AS LIMITED OR PROHIBITED BY THE RESOLUTION, WITH THE SAME AFFIRMATIVE VOTE OF THE BOARD OF DIRECTORS AND OF THE MEMBERS AS WAS REQUIRED TO APPROVE THE DISPOSITION OR ENCUMBRANCE.

(4) THE VOTING REQUIREMENTS FOR DISTRICTS, CLASSES, OR VOTING GROUPS UNDER SECTION 7-58-404 APPLY TO APPROVAL OF A DISPOSITION OF ASSETS UNDER THIS PART 15.

PART 16 CONVERSION AND MERGER

7-58-1601. Definitions. IN THIS PART 16, UNLESS THE CONTEXT OTHERWISE REQUIRES:

(1) "CONSTITUENT ENTITY" MEANS AN ENTITY THAT IS A PARTY TO A MERGER.

(2) "CONSTITUENT LIMITED COOPERATIVE ASSOCIATION" MEANS A LIMITED COOPERATIVE ASSOCIATION THAT IS A PARTY TO A MERGER.

(3) "CONVERTING LIMITED COOPERATIVE ASSOCIATION" MEANS A CONVERTING ENTITY THAT IS A LIMITED COOPERATIVE ASSOCIATION.

(4) "ORGANIZATIONAL DOCUMENTS" MEANS ARTICLES OF INCORPORATION, BYLAWS, ARTICLES OF ORGANIZATION, OPERATING AGREEMENTS, PARTNERSHIP AGREEMENTS, AND ANY OTHER DOCUMENTS SERVING A SIMILAR FUNCTION IN THE CREATION AND GOVERNANCE OF AN ENTITY.

(5) "PERSONAL LIABILITY" MEANS PERSONAL LIABILITY FOR A DEBT, LIABILITY, OR OTHER OBLIGATION OF AN ENTITY IMPOSED, BY OPERATION OF LAW OR OTHERWISE, ON A PERSON THAT CO-OWNS OR HAS AN INTEREST IN THE ENTITY:

(a) BY THE ENTITY'S ORGANIC STATUTE SOLELY BECAUSE OF THE PERSON CO-OWNING OR HAVING AN INTEREST IN THE ENTITY; OR

(b) BY THE ENTITY'S ORGANIZATIONAL DOCUMENTS UNDER A PROVISION OF THE ENTITY'S ORGANIC STATUTE AUTHORIZING THOSE DOCUMENTS TO MAKE ONE OR MORE SPECIFIED PERSONS LIABLE FOR ALL OR SPECIFIED PARTS OF THE ENTITY'S DEBTS, LIABILITIES, AND OTHER OBLIGATIONS SOLELY BECAUSE THE PERSON CO-OWNS OR HAS AN INTEREST IN THE ENTITY.

7-58-1602. Conversion. A LIMITED COOPERATIVE ASSOCIATION MAY CONVERT INTO ANY FORM OF ENTITY PERMITTED BY SECTION 7-90-201 IF THE BOARD OF DIRECTORS OF THE LIMITED COOPERATIVE ASSOCIATION ADOPTS A PLAN OF CONVERSION THAT COMPLIES WITH SECTION 7-90-201.3 AND THE MEMBERS ENTITLED TO VOTE THEREON, IF ANY, IF REQUIRED BY SECTION 7-58-1603, APPROVE THE PLAN OF CONVERSION.

7-58-1603. Action on plan of conversion by converting limited cooperative association. (1) FOR A LIMITED COOPERATIVE ASSOCIATION TO CONVERT INTO ANOTHER FORM OF ENTITY, A PLAN OF CONVERSION MUST BE APPROVED BY A MAJORITY OF THE BOARD OF DIRECTORS, OR A GREATER PERCENTAGE IF REQUIRED BY THE ARTICLES OR BYLAWS, AND THE BOARD OF DIRECTORS MUST CALL A MEMBERS MEETING TO CONSIDER THE PLAN OF CONVERSION, HOLD THE MEETING NOT LATER THAN NINETY DAYS AFTER APPROVAL OF THE PLAN BY THE BOARD, AND MAIL OR OTHERWISE TRANSMIT OR DELIVER IN A RECORD TO EACH MEMBER:

(a) THE PLAN, OR A SUMMARY OF THE PLAN AND A STATEMENT OF THE MANNER IN WHICH A COPY OF THE PLAN IN A RECORD MAY BE REASONABLY OBTAINED BY A MEMBER;

(b) A RECOMMENDATION THAT THE MEMBERS APPROVE THE PLAN OF CONVERSION OR, IF THE BOARD DETERMINES THAT BECAUSE OF A CONFLICT OF INTEREST OR ANY OTHER REASON IT SHOULD NOT MAKE A FAVORABLE RECOMMENDATION, THE BASIS FOR THAT DETERMINATION;

(c) A STATEMENT OF ANY CONDITION OF THE BOARD'S SUBMISSION OF THE PLAN OF CONVERSION TO THE MEMBERS; AND

(d) NOTICE OF THE MEETING AT WHICH THE PLAN OF CONVERSION WILL BE CONSIDERED, WHICH NOTICE MUST BE GIVEN IN THE SAME MANNER AS NOTICE OF A SPECIAL MEETING OF MEMBERS.

(2) SUBJECT TO SUBSECTIONS (3) AND (4) OF THIS SECTION, A PLAN OF CONVERSION MUST BE APPROVED BY:

(a) AT LEAST A MAJORITY OF THE VOTING POWER OF MEMBERS PRESENT AT A MEMBERS MEETING CALLED UNDER SUBSECTION (1) OF THIS SECTION; AND

(b) IF THE LIMITED COOPERATIVE ASSOCIATION HAS INVESTOR MEMBERS, AT LEAST A MAJORITY OF THE VOTES CAST BY PATRON MEMBERS, UNLESS THE ARTICLES OR BYLAWS REQUIRE A GREATER PERCENTAGE VOTE BY PATRON MEMBERS.

(3) THE ARTICLES OR BYLAWS MAY REQUIRE THAT THE PERCENTAGE OF VOTES REQUIRED UNDER PARAGRAPH (a) OF SUBSECTION (2) OF THIS SECTION IS:

(a) A DIFFERENT PERCENTAGE THAT IS NOT LESS THAN A MAJORITY OF MEMBERS VOTING AT THE MEETING;

(b) MEASURED AGAINST THE VOTING POWER OF ALL MEMBERS; OR

(c) A COMBINATION OF PARAGRAPHS (a) AND (b) OF THIS SUBSECTION (3).

(4) THE VOTE REQUIRED TO APPROVE A PLAN OF CONVERSION MUST NOT BE LESS THAN THE VOTE REQUIRED FOR THE MEMBERS OF THE LIMITED COOPERATIVE ASSOCIATION TO AMEND THE ARTICLES OF ORGANIZATION.

(5) CONSENT IN A RECORD TO A PLAN OF CONVERSION BY A MEMBER MUST BE DELIVERED TO THE LIMITED COOPERATIVE ASSOCIATION BEFORE DELIVERY OF A STATEMENT OF CONVERSION FOR FILING PURSUANT TO SECTION 7-58-1608 (1) IF, AS A RESULT OF THE CONVERSION, THE MEMBER WILL HAVE:

(a) PERSONAL LIABILITY FOR AN OBLIGATION OF THE ASSOCIATION; OR

(b) AN OBLIGATION OR LIABILITY FOR AN ADDITIONAL CONTRIBUTION.

(6) SUBJECT TO SUBSECTION (5) OF THIS SECTION AND ANY CONTRACTUAL RIGHTS, AFTER A CONVERSION IS APPROVED AND AT ANY TIME BEFORE THE EFFECTIVE DATE OF THE CONVERSION, A CONVERTING LIMITED COOPERATIVE ASSOCIATION MAY AMEND A PLAN OF CONVERSION OR ABANDON THE PLANNED CONVERSION:

(a) AS PROVIDED IN THE PLAN; AND

(b) EXCEPT AS PROHIBITED BY THE PLAN, BY THE SAME AFFIRMATIVE VOTE OF THE BOARD OF DIRECTORS AND OF THE MEMBERS AS WAS REQUIRED TO APPROVE THE PLAN.

(7) THE VOTING REQUIREMENTS FOR DISTRICTS, CLASSES, OR VOTING GROUPS UNDER SECTION 7-58-404 APPLY TO APPROVAL OF A CONVERSION UNDER THIS PART 16.

7-58-1604. Merger. (1) ONE OR MORE DOMESTIC LIMITED COOPERATIVE ASSOCIATIONS MAY MERGE INTO ANOTHER DOMESTIC ENTITY IF THE BOARD OF DIRECTORS OF EACH ASSOCIATION THAT IS A PARTY TO THE MERGER AND EACH OTHER ENTITY THAT IS A PARTY TO THE MERGER ADOPTS A PLAN OF MERGER COMPLYING WITH SECTION 7-90-203.3 AND THE MEMBERS ENTITLED TO VOTE THEREON, IF ANY, OF EACH SUCH ASSOCIATION, IF REQUIRED BY SECTIONS 7-58-1605 AND 7-58-1606, APPROVE THE PLAN OF MERGER.

(2) ONE OR MORE DOMESTIC LIMITED COOPERATIVE ASSOCIATIONS MAY MERGE WITH ONE OR MORE FOREIGN ENTITIES IF:

(a) THE MERGER IS PERMITTED BY SECTION 7-90-203 (2);

(b) THE FOREIGN ENTITY COMPLIES WITH SECTION 7-90-203.7 IF IT IS THE SURVIVING ENTITY OF THE MERGER; AND

(c) EACH DOMESTIC LIMITED COOPERATIVE ASSOCIATION COMPLIES WITH THE APPLICABLE PROVISIONS OF SECTIONS 7-58-1605 AND 7-58-1606 AND, IF IT IS THE SURVIVING ASSOCIATION OF THE MERGER, WITH SECTION 7-58-1608 (2).

7-58-1605. Notice and action on plan of merger by constituent limited cooperative association. (1) FOR A LIMITED COOPERATIVE ASSOCIATION TO MERGE WITH ANOTHER ENTITY, A PLAN OF MERGER MUST BE APPROVED BY A MAJORITY VOTE OF THE BOARD OF DIRECTORS OR A GREATER PERCENTAGE IF REQUIRED BY THE ASSOCIATION'S ARTICLES OR BYLAWS.

(2) THE BOARD OF DIRECTORS SHALL CALL A MEMBERS MEETING TO CONSIDER A PLAN OF MERGER APPROVED BY THE BOARD, HOLD THE MEETING NOT LATER THAN NINETY DAYS AFTER APPROVAL OF THE PLAN BY THE BOARD, AND MAIL OR OTHERWISE TRANSMIT OR DELIVER IN A RECORD TO EACH MEMBER:

(a) THE PLAN OF MERGER, OR A SUMMARY OF THE PLAN AND A STATEMENT OF THE MANNER IN WHICH A COPY OF THE PLAN IN A RECORD MAY BE REASONABLY OBTAINED BY A MEMBER;

(b) A RECOMMENDATION THAT THE MEMBERS APPROVE THE PLAN OF MERGER OR, IF THE BOARD DETERMINES THAT BECAUSE OF CONFLICT OF INTEREST OR ANY OTHER REASON IT SHOULD NOT MAKE A FAVORABLE RECOMMENDATION, THE BASIS FOR THAT DETERMINATION;

(c) A STATEMENT OF ANY CONDITION OF THE BOARD'S SUBMISSION OF THE PLAN OF MERGER TO THE MEMBERS; AND

(d) NOTICE OF THE MEETING AT WHICH THE PLAN OF MERGER WILL BE CONSIDERED, WHICH NOTICE MUST BE GIVEN IN THE SAME MANNER AS NOTICE OF A SPECIAL MEETING OF MEMBERS.

7-58-1606. Approval or abandonment of merger by members. (1) SUBJECT TO SUBSECTIONS (2) AND (3) OF THIS SECTION, A PLAN OF MERGER MUST BE APPROVED BY:

(a) AT LEAST A MAJORITY OF THE VOTING POWER OF MEMBERS PRESENT AT A MEMBERS MEETING CALLED UNDER SECTION 7-58-1605 (2); AND

(b) IF THE LIMITED COOPERATIVE ASSOCIATION HAS INVESTOR MEMBERS, AT LEAST A MAJORITY OF THE VOTES CAST BY PATRON MEMBERS, UNLESS THE ARTICLES OR BYLAWS REQUIRE A GREATER PERCENTAGE VOTE BY PATRON MEMBERS.

(2) THE ARTICLES OR BYLAWS MAY PROVIDE THAT THE PERCENTAGE OF VOTES REQUIRED UNDER PARAGRAPH (a) OF SUBSECTION (1) OF THIS SECTION IS:

(a) A DIFFERENT PERCENTAGE THAT IS NOT LESS THAN A MAJORITY OF MEMBERS VOTING AT THE MEETING;

(b) MEASURED AGAINST THE VOTING POWER OF ALL MEMBERS; OR

(c) A COMBINATION OF PARAGRAPHS (a) AND (b) OF THIS SUBSECTION (2).

(3) THE VOTE REQUIRED TO APPROVE A PLAN OF MERGER MUST NOT BE LESS THAN THE VOTE REQUIRED FOR THE MEMBERS OF THE LIMITED COOPERATIVE ASSOCIATION TO AMEND THE ARTICLES OF ORGANIZATION.

(4) CONSENT IN A RECORD TO A PLAN OF MERGER BY A MEMBER MUST BE DELIVERED TO THE LIMITED COOPERATIVE ASSOCIATION BEFORE DELIVERY OF A STATEMENT OF MERGER FOR FILING PURSUANT TO SECTION 7-58-1608 (2) IF, AS A RESULT OF THE MERGER, THE MEMBER WILL HAVE:

(a) PERSONAL LIABILITY FOR AN OBLIGATION OF THE ASSOCIATION; OR

(b) AN OBLIGATION OR LIABILITY FOR AN ADDITIONAL CONTRIBUTION.

(5) SUBJECT TO SUBSECTION (4) OF THIS SECTION AND ANY CONTRACTUAL RIGHTS, AFTER A MERGER IS APPROVED, AND AT ANY TIME BEFORE THE EFFECTIVE DATE OF THE MERGER, A LIMITED COOPERATIVE ASSOCIATION THAT IS A PARTY TO THE MERGER MAY APPROVE AN AMENDMENT TO THE PLAN OF MERGER OR APPROVE ABANDONMENT OF THE PLANNED MERGER:

(a) AS PROVIDED IN THE PLAN; AND

(b) EXCEPT AS LIMITED BY THE PLAN, WITH THE SAME AFFIRMATIVE VOTE OF THE BOARD OF DIRECTORS AND OF THE MEMBERS AS WAS REQUIRED TO APPROVE THE PLAN.

(6) THE VOTING REQUIREMENTS FOR DISTRICTS, CLASSES, OR VOTING GROUPS UNDER SECTION 7-58-404 APPLY TO APPROVAL OF A MERGER UNDER THIS PART 16.

7-58-1607. Merger of parent and subsidiary. (1) NOTWITHSTANDING SECTIONS 7-58-1605 AND 7-58-1606, BY COMPLYING WITH THIS SECTION, ANY

PARENT LIMITED COOPERATIVE ASSOCIATION OWNING ONE HUNDRED PERCENT OF THE VOTING POWER, MEMBERSHIPS, OR INTERESTS OF A SUBSIDIARY MAY EITHER MERGE THE SUBSIDIARY INTO ITSELF OR MERGE ITSELF INTO THE SUBSIDIARY.

(2) SUBJECT TO SUBSECTION (3) OF THIS SECTION, THE BOARDS OF DIRECTORS OF THE PARENT ASSOCIATION AND OF THE SUBSIDIARY SHALL ADOPT BY RESOLUTION A PLAN OF MERGER THAT STATES THE FOLLOWING:

(a) THE ENTITY NAMES OF THE PARENT ASSOCIATION AND SUBSIDIARY AND THE ENTITY NAME OF THE SURVIVING ENTITY;

(b) THE TERMS AND CONDITIONS OF THE PROPOSED MERGER;

(c) THE MANNER AND BASIS OF CONVERTING THE SHARES OF THE PARENT ASSOCIATION AND SUBSIDIARY INTO SHARES, OBLIGATIONS, OR OTHER SECURITIES OF THE SURVIVING ENTITY OR ANY OTHER LIMITED COOPERATIVE ASSOCIATION INTO MONEY OR OTHER PROPERTY IN WHOLE OR PART;

(d) ANY AMENDMENTS TO THE ORGANIZATIONAL DOCUMENTS OF THE SURVIVING PARTY TO BE EFFECTED BY THE MERGER; AND

(e) ANY OTHER PROVISIONS RELATING TO THE MERGER AS ARE DEEMED NECESSARY OR DESIRABLE.

(3) THE MEMBERS OF THE PARENT ASSOCIATION ARE NOT REQUIRED TO VOTE ON THE MERGER UNLESS THE ARTICLES, BYLAWS, OR THE BOARD REQUIRE OTHERWISE; EXCEPT THAT IF, AS A RESULT OF THE MERGER, THE VOTING SHARES, MEMBERSHIPS, OR OTHER INTERESTS OF MEMBERS OF THE PARENT ASSOCIATION WOULD BE MATERIALLY ALTERED, THEN THE MEMBERS OF THE PARENT ASSOCIATION HAVE THE RIGHT TO VOTE ON THE PLAN OF MERGER. IF THE MEMBERS OF THE PARENT ASSOCIATION HAVE THE RIGHT TO VOTE ON THE PLAN OF MERGER, THE PARENT ASSOCIATION SHALL MAIL A COPY OR SUMMARY OF THE PLAN OF MERGER TO EACH MEMBER OF THE PARENT ASSOCIATION WHO HAS THE RIGHT TO VOTE ON THE PLAN. NOTICE AND MEETING REQUIREMENTS AS PROVIDED FOR IN THIS ARTICLE SHALL APPLY.

(4) IF THE MEMBERS OF THE PARENT LIMITED COOPERATIVE ASSOCIATION HAVE THE RIGHT TO VOTE ON THE PLAN OF MERGER, UNLESS THE ARTICLES, BYLAWS, OR THE BOARD REQUIRES A GREATER VOTE, THE PLAN OF MERGER MUST BE APPROVED BY A MAJORITY OF THE MEMBERS OF THE PARENT ASSOCIATION PRESENT AND VOTING ON THE PLAN IN PERSON OR IN ANY OTHER MANNER AUTHORIZED BY THE ASSOCIATION PURSUANT TO SECTION 7-58-515.

7-58-1608. Filings required for conversion or merger. (1) AFTER A PLAN OF CONVERSION IS APPROVED, THE CONVERTING ENTITY SHALL DELIVER TO THE SECRETARY OF STATE, FOR FILING PURSUANT TO PART 3 OF ARTICLE 90 OF THIS TITLE, A STATEMENT OF CONVERSION PURSUANT TO SECTION 7-90-201.7.

(2) AFTER A PLAN OF MERGER IS APPROVED, THE SURVIVING ENTITY SHALL DELIVER TO THE SECRETARY OF STATE, FOR FILING PURSUANT TO PART 3 OF ARTICLE 90 OF THIS TITLE, A STATEMENT OF MERGER PURSUANT TO SECTION 7-90-203.7.

(3) IF THE PLAN OF CONVERSION OR MERGER PROVIDES FOR AMENDMENTS TO THE ORGANIZATIONAL DOCUMENTS OF THE CONVERTING OR SURVIVING ENTITY, THE CONVERTING OR SURVIVING ENTITY SHALL DELIVER TO THE SECRETARY OF STATE, FOR FILING PURSUANT TO PART 3 OF ARTICLE 90 OF THIS TITLE, ARTICLES OF AMENDMENT EFFECTING THE AMENDMENTS.

7-58-1609. Effect of conversion or merger. (1) THE EFFECT OF A CONVERSION IS DETERMINED BY SECTION 7-90-202.

(2) THE EFFECT OF A MERGER IS DETERMINED BY SECTION 7-90-204.

7-58-1610. Consolidation. (1) CONSTITUENT ENTITIES THAT ARE LIMITED COOPERATIVE ASSOCIATIONS OR FOREIGN COOPERATIVES MAY AGREE TO CALL A MERGER A CONSOLIDATION UNDER THIS PART 16.

(2) ALL PROVISIONS GOVERNING MERGERS OR USING THE TERM MERGER IN THIS PART APPLY EQUALLY TO MERGERS THAT THE CONSTITUENT ENTITIES CHOOSE TO CALL CONSOLIDATIONS UNDER SUBSECTION (1) OF THIS SECTION.

7-58-1611. Part not exclusive. THIS PART 16 DOES NOT PROHIBIT A LIMITED COOPERATIVE ASSOCIATION FROM BEING CONVERTED OR MERGED UNDER LAW OTHER THAN THIS PART 16.

PART 17 MISCELLANEOUS PROVISIONS

7-58-1701. Uniformity of application and construction. IN APPLYING AND CONSTRUING THIS UNIFORM ACT, CONSIDERATION MUST BE GIVEN TO THE NEED TO PROMOTE UNIFORMITY OF THE LAW WITH RESPECT TO ITS SUBJECT MATTER AMONG STATES THAT ENACT IT OR SIMILAR STATUTES.

7-58-1702. Relation to electronic signatures in global and national commerce act. THIS ARTICLE MODIFIES, LIMITS, OR SUPERSEDES THE FEDERAL "ELECTRONIC SIGNATURES IN GLOBAL AND NATIONAL COMMERCE ACT", 15 U.S.C. SEC. 7001 ET SEQ., BUT DOES NOT MODIFY, LIMIT, OR SUPERSEDE SECTION 101 (c) OF THAT ACT, 15 U.S.C. SEC. 7001 (c), OR AUTHORIZE ELECTRONIC DELIVERY OF ANY OF THE NOTICES DESCRIBED IN SECTION 103 (b) OF THAT ACT, 15 U.S.C. SEC. 7003 (b).

7-58-1703. Savings clause. THIS ARTICLE DOES NOT AFFECT AN ACTION OR PROCEEDING COMMENCED, OR RIGHT ACCRUED, BEFORE APRIL 2, 2012.

7-58-1704. Effective date. THIS ARTICLE TAKES EFFECT APRIL 2, 2012.

SECTION 2. 7-90-102 (2), (3), (11), (36), and (44), Colorado Revised Statutes, are amended, and the said 7-90-102 is further amended BY THE ADDITION OF THE FOLLOWING NEW SUBSECTIONS, to read:

7-90-102. Definitions. As used in this title, except as otherwise defined for the purpose of any section, subpart, part, or article of this title, or unless the context otherwise requires:

(2) "Articles of incorporation" means, with respect to:

(a) A domestic cooperative THAT IS NOT A DOMESTIC LIMITED COOPERATIVE ASSOCIATION, a domestic corporation, or other domestic entity that is formed under or subject to the "Colorado Business Corporation Act", articles 101 to 117 of this title, articles of incorporation as that term is used in the "Colorado Business Corporation Act"; ~~With respect to~~

(b) A corporation formed under or subject to article 40 of this title, ~~"articles of incorporation" means~~ A certificate of incorporation as that term is used in article 40 of this title; ~~With respect to~~

(c) A domestic cooperative, a domestic nonprofit corporation, or other domestic entity that is formed under or subject to the "Colorado Revised Nonprofit Corporation Act", articles 121 to 137 of this title, ~~"articles of incorporation" means~~ articles of incorporation as that term is used in the "Colorado Revised Nonprofit Corporation Act"; ~~With respect to~~ AND

(d) A foreign corporation or foreign nonprofit corporation, ~~"articles of incorporation" means~~ the corresponding document filed with the jurisdiction, under the law of which the corporation or nonprofit corporation is formed.

(3) "Articles of organization" means, with respect to:

(a) A domestic limited liability company, the articles of organization as defined in the "Colorado Limited Liability Company Act", article 80 of this title; ~~With respect to~~

(b) A foreign limited liability company, ~~"articles of organization" means~~ the corresponding document filed with the filing officer of the jurisdiction under the law of which the foreign limited liability company is formed; AND

(c) A DOMESTIC LIMITED COOPERATIVE ASSOCIATION, THE ARTICLES OF ORGANIZATION AS DEFINED IN THE "COLORADO UNIFORM LIMITED COOPERATIVE ASSOCIATION ACT", ARTICLE 58 OF THIS TITLE.

(11) "Domestic cooperative" means an entity formed under article 55 of this title; an entity formed under the "Colorado Cooperative Act", article 56 of this title; AN ENTITY FORMED UNDER THE "COLORADO UNIFORM LIMITED COOPERATIVE ASSOCIATION ACT", ARTICLE 58 OF THIS TITLE; or an entity formed under any other act of the state of Colorado that has elected to be subject to the "Colorado Cooperative Act".

(14.5) "DOMESTIC LIMITED COOPERATIVE ASSOCIATION" MEANS A LIMITED COOPERATIVE ASSOCIATION FORMED UNDER OR SUBJECT TO THE "COLORADO UNIFORM LIMITED COOPERATIVE ASSOCIATION ACT", ARTICLE 58 OF THIS TITLE.

(23.7) "FOREIGN LIMITED COOPERATIVE ASSOCIATION" MEANS AN ENTITY FORMED UNDER THE LAW OF A JURISDICTION OTHER THAN THIS STATE THAT IS FUNCTIONALLY EQUIVALENT TO A DOMESTIC LIMITED COOPERATIVE ASSOCIATION.

(36) "Member" means:

(a) A member of a cooperative;

(a.5) A MEMBER OF A LIMITED COOPERATIVE ASSOCIATION AS DEFINED IN SECTION 7-58-102;

(b) A member of a nonprofit association;

(c) A member of a limited liability company;

(d) In the case of a nonprofit corporation with one or more classes of voting members, a voting member of a nonprofit corporation; or

(e) In the case of a nonprofit corporation with no voting members, a director of a nonprofit corporation.

(44) "Owner's interest" means the shares of stock in a corporation, a membership in a nonprofit corporation, a membership interest in a limited liability company, the interest of a member in a cooperative OR IN A LIMITED COOPERATIVE ASSOCIATION, a partnership interest in a limited partnership, a partnership interest in a partnership, and the interest of a member in a limited partnership association.

SECTION 3. 7-90-601, Colorado Revised Statutes, is amended BY THE ADDITION OF A NEW SUBSECTION to read:

7-90-601. Entity name. (4.5) THE ENTITY NAME OF A LIMITED COOPERATIVE ASSOCIATION SHALL CONTAIN THE WORDS "LIMITED COOPERATIVE ASSOCIATION" OR "LIMITED COOPERATIVE" OR THE ABBREVIATION "L.C.A." OR "LCA". "LIMITED" MAY BE ABBREVIATED AS "LTD.". "COOPERATIVE" MAY BE ABBREVIATED AS "CO-OP" OR "COOP". "ASSOCIATION" MAY BE ABBREVIATED AS "ASSOC." OR "ASSN."

SECTION 4. 10-16-1004 (1) (a), Colorado Revised Statutes, is amended to read:

10-16-1004. Health care coverage cooperatives - establishment - fees.

(1) (a) There is hereby authorized the creation of entities to be known as health care coverage cooperatives. A health care coverage cooperative may be created as any lawful entity under articles 55, ~~and 56, or articles~~ 58, 101 to 117, or ~~articles~~ 121 to 137 of title 7, C.R.S., so long as such entity operates for the mutual benefit of its members. Entities created pursuant to this part 10, in addition to the matters otherwise required, ~~shall be~~ ARE subject to this part 10.

SECTION 5. 38-33.5-101, Colorado Revised Statutes, is amended to read:

38-33.5-101. Method of formation - purpose. Cooperative housing corporations may be formed by any three or more adult residents of this state associating themselves to form a COOPERATIVE OR nonprofit corporation, pursuant to ARTICLES 55, 56, OR 58 OF TITLE 7, C.R.S., OR the "Colorado Revised Nonprofit Corporation Act", articles 121 to 137 of title 7, C.R.S. The specified purpose of ~~such corporation shall~~ THE ENTITY MUST be to provide each stockholder in ~~said~~

~~corporation~~ OR MEMBER OF THE ENTITY with the right to occupy, for dwelling purposes, a house or an apartment in a building owned or leased by ~~said corporation~~ THE ENTITY.

SECTION 6. Appropriation. In addition to any other appropriation, there is hereby appropriated, out of any moneys in the department of state cash fund created in section 24-21-104 (3) (b), Colorado Revised Statutes, not otherwise appropriated, to the department of state, for the fiscal year beginning July 1, 2011, the sum of twenty thousand one hundred twenty-eight dollars (\$20,128) cash funds, or so much thereof as may be necessary, for the implementation of this act.

SECTION 7. Act subject to petition - effective date - applicability. (1) This act shall take effect April 2, 2012; except that, if a referendum petition is filed pursuant to section 1 (3) of article V of the state constitution against this act or an item, section, or part of this act within the ninety-day period after final adjournment of the general assembly, then the act, item, section, or part shall not take effect unless approved by the people at the general election to be held in November 2012 and shall take effect on April 2, 2012, or on the date of the official declaration of the vote thereon by the governor, whichever is later.

(2) The provisions of this act shall apply to conduct occurring on or after the applicable effective date of this act.

Approved: May 23, 2011