

CHAPTER 144—H.F.No. 1411

An act relating to cooperatives; recodifying and clarifying certain provisions on cooperative businesses; amending certain provisions of cooperative business law; requiring a registered officer or agent for cooperatives; authorizing cooperatives to provide greater approval proportions than provided in statute for certain cooperative actions; providing corporate existence of cooperative begins with filing of articles; authorizing loans to and fiduciary powers with members; specifying how vacancies in unexpired directors' terms may be filled; authorizing the board to rescind membership for member violations; eliminating certain filings with county recorders; eliminating attorney general approval of articles of merger or consolidation; prescribing a fee for filing articles of consolidation; prescribing a procedure for dissolution of cooperatives; deeming certain organized cooperatives to be organized under and subject to this act; amending Minnesota Statutes 1988, sections 47.20, subdivision 2; 117.232, subdivision 1; 216B.027, subdivision 5; 237.075, subdivision 9; 273.124, subdivisions 3 and 6; 273.132, subdivision 5; 363.01, subdivision 32; and 500.20, subdivision 2a; proposing coding for new law as Minnesota Statutes, chapter 308A; repealing Minnesota Statutes 1988, sections 308.01 to 308.92.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

ARTICLE 1

CHAPTER 308A

COOPERATIVE LAW

Section 1. [308A.001] CITATION.

This chapter may be cited as the "Minnesota cooperative law."

Sec. 2. [308A.005] DEFINITIONS.

Subdivision 1. APPLICABILITY. The definitions in this section apply to this chapter.

Subd. 2. ARTICLES. "Articles" means the articles of incorporation of a cooperative as originally filed and amended.

Subd. 3. ASSOCIATION. "Association" means an organization conducting business on a cooperative plan that is incorporated under other laws of this state or another state.

Subd. 4. BOARD. "Board" means the board of directors of a cooperative.

Subd. 5. COOPERATIVE. "Cooperative" means an association conducting business on a cooperative plan that is organized under this chapter or is subject to this chapter.

New language is indicated by underline, deletions by ~~strikeout~~.

Subd. 6. CORPORATION. "Corporation" means a company, association, or body vested with a corporate power or function.

Subd. 7. DOMESTIC CORPORATION. "Domestic corporation" means a corporation organized under the laws of this state. [300.02 s. 5]

Subd. 8. FOREIGN CORPORATION. "Foreign corporation" means a corporation that is not a domestic corporation. [300.02 s. 6]

Subd. 9. MEMBER. "Member" means a member or a stockholder of a cooperative who is entitled to vote.

Subd. 10. MEMBERS' MEETING. "Members' meeting means a regular or special members' meeting.

Subd. 11. STOCKHOLDER. "Stockholder" means the holder of a share of common stock of a cooperative. [308.06 s. 2]

GENERAL PROVISIONS

Sec. 3. [308A.011] USE OF TERM COOPERATIVE RESTRICTED.

Subdivision 1. ONLY BUSINESS SUBJECT TO THIS CHAPTER MAY USE TERM COOPERATIVE. A corporation or association organized in this state may not use the term "cooperative" as part of its corporate or business name or title, or to represent itself as a cooperative, unless the corporation or association has complied with and is subject to this chapter or has incorporated under other laws of this state authorizing incorporation of business on a cooperative plan. [308.05 s. 3]

Subd. 2. PENALTY FOR MISUSE OF TERM COOPERATIVE. A corporation or association is guilty of a misdemeanor that violates subdivision 1. [308.05 s. 3]

Sec. 4. [308A.021] FILING FEE.

Unless otherwise provided, the filing fee for documents filed with the secretary of state is \$25. [308.06 s. 4]

Sec. 5. [308A.031] PROMOTION EXPENSE NOT TO BE INCURRED.

(a) Except as provided in paragraph (b), a cooperative may not spend money, issue or pledge capital stock of the cooperative, or incur indebtedness for payment of promotion of the cooperative or for the payment of commissions, salaries, or expenses of any kind in connection with the promotion of the cooperative.

(b) An amount not more than ten percent of the par value of the capital stock sold may be used by officers or committees elected by the stockholders or for hiring responsible solicitors to sell or solicit the sale of stock. [308.13]

New language is indicated by underline, deletions by ~~strikeout~~.

ORGANIZATION

Sec. 6. [308A.101] ORGANIZATIONAL PURPOSE.

Subdivision 1. GENERAL PURPOSE. A cooperative may be formed and incorporated on a cooperative plan for the purpose of conducting an agricultural, dairy, marketing, transportation, warehousing, commission, contracting, building, mining, telephone, manufacturing, mechanical, mercantile, electrical, heat, light, or power business, or for any combination of these purposes or for any other lawful purpose. [308.05 s. 1]

Subd. 2. ELECTRIC COOPERATIVE PURPOSE. An electric cooperative may only be formed by cooperatives engaged in the generation, transmission, and distribution of electric energy for the purpose of financing, or refinancing, the construction, improvement, expansion, acquisition, and operation of electric generating plants and electric transmission and distribution lines, systems, facilities and equipment and related facilities of its members. [308.05 s. 5]

Sec. 7. [308A.105] INCORPORATORS.

A cooperative may be organized by one or more incorporators, who may act for themselves as individuals or as the agents of other cooperatives or associations. [308.06 s. 1]

Sec. 8. [308A.121] COOPERATIVE NAME.

Subdivision 1. NAME. The name of a cooperative must distinguish the cooperative from other entities doing business in the state as domestic or foreign corporations or limited partnerships, or under assumed names, trade or service marks, or reserved corporate or limited partnership names, as provided in section 302A.115. [308.06 s. 1]

Subd. 2. NAME RESERVED. The cooperative name shall be reserved for the cooperative during its corporate existence. [308.06 s. 1]

Sec. 9. [308A.125] STOCK AND NONSTOCK ORGANIZATION.

Subdivision 1. STOCK AND NONSTOCK COOPERATIVES HAVE SAME AUTHORITY. Cooperatives organized on a capital stock basis may be organized and have the same powers and authority as cooperatives organized without capital stock on a membership basis. [308.06 s. 2]

Subd. 2. CAPITAL STOCK ORGANIZATION. A cooperative is organized on a capital stock basis if holding shares of common stock entitles the holder of the stock to vote. [308.06 s. 2]

Subd. 3. NONSTOCK ORGANIZATION. (a) The articles of a nonstock cooperative must contain the provisions required in the articles of a cooperative organized on a capital stock basis if the provisions are applicable to a cooperative organized upon a membership basis.

New language is indicated by underline, deletions by ~~strikeout~~.

(b) Except for cooperatives constituted partially or entirely of other cooperatives, a member of a cooperative organized on a membership basis may not have more than one vote, and a membership is transferable only with the consent and approval of the board. [308.06 s. 2]

Sec. 10. [308A.131] ARTICLES OF INCORPORATION.

Subdivision 1. CONTENTS. (a) The incorporators shall prepare the articles, which must include:

(1) the name of the cooperative;

(2) the purpose of the cooperative;

(3) the principal place of business for the cooperative;

(4) the period of duration for the cooperative, if the duration is not to be perpetual;

(5) the total authorized number of shares and the par value of each share if the cooperative is organized on a capital stock basis;

(6) a description of the classes of shares, if the shares are to be classified;

(7) a statement of the number of shares in each class and relative rights, preferences, and restrictions granted to or imposed upon the shares of each class, and a provision that only common stockholders have voting power;

(8) a statement that individuals owning common stock shall be restricted to one vote in the affairs of the cooperative;

(9) a statement that shares of stock are transferable only with the approval of the board;

(10) a statement that dividends on the capital stock of the cooperative may not exceed eight percent annually;

(11) the names, post office addresses, and terms of office of the directors of the first board; and

(12) a statement that net income in excess of dividends and additions to reserves shall be distributed on the basis of patronage, and that the records of the cooperative may show the interest of patrons, stockholders of any classes, and members in the reserves.

(b) The articles must always contain the provisions in paragraph (a), except that the names, post office addresses, and terms of offices of the directors of the first board may be omitted after their successors have been elected by the members or the articles are amended in their entirety.

(c) The articles may contain other lawful provisions.

New language is indicated by underline, deletions by ~~strikeout~~.

(d) The articles must be signed by the incorporators. [308.06 s. 2]

Subd. 2. FILING ARTICLES. (a) The original articles must be filed with the secretary of state and a copy filed in the office of the county recorder of the county where the principal place of business of the cooperative is located.

(b) The fee for filing the articles with the secretary of state is \$60. [308.06 s. 4]

Sec. 11. [308A.135] AMENDMENT OF ARTICLES.

(a) The articles of a cooperative must be amended as provided in this subdivision.

(b) The board by majority vote must pass a resolution stating the text of the proposed amendment. The text of the proposed amendment and an attached mail ballot, if the board has provided for a mail ballot in the resolution, must be mailed with a regular or special meeting notice to each member. The notice must designate the time and place of the meeting for the proposed amendment to be considered and voted on. A cooperative with more than 200 members may publish the notice, proposed amendment, and ballot in the manner provided for a regular meeting notice.

(c) If a quorum of the members is registered as being present or represented by mail vote at the meeting, the proposed amendment is adopted if approved by a majority of the votes cast.

(d) After an amendment has been adopted by the members, a certificate stating the amendment and the manner of adoption shall be signed by the president, vice president, secretary, or assistant secretary, and filed in the office of the secretary of state and the office of the county recorder of the county where the cooperative's principal place of business is located. [308.15 s. 1]

Sec. 12. [308A.141] AMENDMENT OF ARTICLES TO BE GOVERNED BY THIS CHAPTER.

Subdivision 1. AUTHORITY. A corporation or association organized and doing business under other statutes of this state or under the laws of other states that has conducted business on a cooperative plan may become subject to this chapter by amending its articles of incorporation to conform to the requirements of this chapter. [308.14 s. 1]

Subd. 2. PROCEDURE FOR AMENDMENT. (a) A corporation or association organized under statutes of this state may amend its articles of incorporation in the manner provided under the statute that it is governed by for the adoption of amendments.

(b) A corporation or association organized under laws of other states shall amend its articles of incorporation in the manner required by the laws of the state where it was incorporated. After the articles of incorporation are amended,

New language is indicated by underline, deletions by ~~strikeout~~.

the corporation or association shall file a certified copy of the articles of incorporation and amendments with the secretary of state with the fees and requirements prescribed for filing articles. After filing, the corporation or association is a cooperative in this state and subject to the provisions of this chapter. [308.14 s. 1]

Sec. 13. [308A.145] AMENDMENT OF ARTICLES TO INCORPORATE DEFECTIVELY ORGANIZED COOPERATIVE.

Subdivision 1. AMENDMENT OF ARTICLES. An association or corporation organized defectively under other law of this state that has conducted its business upon the cooperative plan and has in good faith carried on and transacted business, may amend its articles of incorporation in their entirety to be governed by this chapter. The articles of amendment shall be filed with the secretary of state and a copy of the articles recorded in the office of the county recorder of the county where the principal place of business of the corporation or association is located. [308.36 s. 1]

Subd. 2. DE FACTO CORPORATION BECOMES CORPORATION DE JURE. Upon the filing and recording of the articles of amendment of a de facto corporation, the corporation is a legal and valid corporation de jure. Courts shall hold all transactions, past and future, as if the organization was not defective. [308.36 s. 2]

Subd. 3. PENDING LITIGATION NOT AFFECTED. This section does not affect pending litigation. [308.36 s. 3]

Subd. 4. NOT APPLICABLE IF CHARTER IS FORFEITED. This section does not apply to a corporation whose charter has been declared forfeited by a court of competent jurisdiction in this state. [308.36 s. 3]

Sec. 14. [308A.151] AMENDMENT OF ARTICLES TO RENEW EXPIRED CORPORATE EXISTENCE.

Subdivision 1. AMENDMENT TO RENEW CORPORATE EXISTENCE. If the period of corporate existence of a corporation organized under any law of this state that has conducted its business on a cooperative plan expires and the corporation continues in good faith to carry on and transact business, the corporation may renew its corporate existence by amending its articles of incorporation to comply with this chapter. The amended articles must include a provision extending the corporate duration for a limited period or making the corporate existence perpetual. [308.062 s. 1]

Subd. 2. DOES NOT AFFECT PENDING LITIGATION. This section does not affect pending litigation. [308.062 s. 1]

Subd. 3. DOES NOT APPLY TO FORFEITED CHARTER. This section does not apply to a corporation whose charter has been declared forfeited by a court of competent jurisdiction. [308.062 s. 1]

New language is indicated by underline, deletions by ~~strikeout~~.

Subd. 4. CORPORATE ACTS AND CONTRACTS VALIDATED. If a corporation complies with subdivisions 1, 2, and 3, corporate acts and contracts that were performed, made, and entered into after the expiration of the corporate existence are legal and valid against the objection that the period of duration of the corporation had expired. [308.062 s. 2]

Sec. 15. [308A.155] CORPORATE EXISTENCE.

Subdivision 1. COMMENCEMENT OF BUSINESS. A cooperative may commence business when ten percent of the authorized capital stock has been subscribed and paid in. [308.07 s. 2]

Subd. 2. PERPETUAL EXISTENCE UNLESS LIMITED. Cooperatives have perpetual duration unless the cooperative provides for a limited period of duration of corporate existence in the articles. [308.061, 308.15 s. 1]

Sec. 16. [308A.165] BYLAWS.

The bylaws of a cooperative may be amended at a regular or special members' meeting if:

(1) the notice of the meeting contains a summary statement of the proposed amendment;

(2) a quorum is registered as being present or represented by mail vote; and

(3) the amendment is approved by a majority of the votes cast. [308.15 s. 2]

POWERS

Sec. 17. [308A.201] POWERS.

Subdivision 1. GENERAL POWERS. In addition to other powers, a cooperative as an agent or otherwise:

(1) may perform every act and thing necessary or proper to the conduct of the cooperative's business or the accomplishment of the purposes of the cooperative;

(2) has other rights, powers, or privileges granted by the laws of this state to other corporations, except those that are inconsistent with the express provisions of this chapter; and

(3) has the powers given in this section. [308.05 s. 1]

Subd. 2. DEALING IN ITS OWN PRODUCTS. (a) A cooperative may buy, sell, or deal in its own products, the products of the cooperative's individual members or patrons, the products of another cooperative or association or of its members or patrons.

(b) A cooperative may negotiate the price at which the products the cooperative is selling may be sold. [308.05 s. 1]

New language is indicated by underline, deletions by ~~strikeout~~.

Subd. 3. CONTRACTS AND AGREEMENTS. A cooperative may enter into or become a party to a contract or agreement for the cooperative or for the cooperative's individual members or patrons, or between the cooperative and its members. [308.05 s. 1]

Subd. 4. TRANSACTIONS OF REAL ESTATE AND PERSONAL PROPERTY. A cooperative may purchase and hold, lease, mortgage, encumber, sell, exchange, and convey as a corporation real estate, buildings, and personal property as the business of the cooperative may require. [308.05 s. 1]

Subd. 5. CONSTRUCTION OF BUILDINGS AND FACILITIES. A cooperative may erect buildings or other structures or facilities or the cooperative's owned or leased property, or on a right-of-way legally acquired by the cooperative. [308.05 s. 1]

Subd. 6. ISSUANCE OF BONDS AND INDEBTEDNESS. A cooperative may issue bonds or other evidence of indebtedness and to borrow money to finance the business of the cooperative. [308.05 s. 1]

Subd. 7. ADVANCES TO MEMBERS OR PATRONS. A cooperative may make advances to the cooperative's members or patrons on produce delivered by the members or patrons to the cooperative. [308.05 s. 1]

Subd. 8. ACCEPTANCE OF DEPOSITS. A cooperative may accept deposits of money from other cooperatives or associations from which it is constituted. [308.05 s. 2]

Subd. 9. LENDING AND BORROWING MONEY. A cooperative may loan or borrow money to or from cooperatives or associations from which it is constituted with security that it considers sufficient in dealing with the member cooperatives or associations. [308.05 s. 2]

Subd. 10. ACQUISITION AND DISPOSAL OF STOCK. (a) A cooperative may purchase, acquire, hold, or dispose of the stock of another association or corporation, whether incorporated under the laws of this state or another state, and assume all rights, interests, privileges, responsibilities, and obligations arising out of the ownership of the stock after approval by the board to allow the cooperative to join with other cooperatives and associations in this state and other states, to form district, state, or national organizations or market agencies. [308.05 s. 1]

(b) A cooperative may acquire and hold stock in another corporation organized under the law of this state or another state of the United States, including a corporation organized:

(1) as a federation of associations;

(2) for the purpose of forming a district, state, or national marketing, sales, or service agency; or

New language is indicated by underline, deletions by ~~strikeout~~.

(3) for the purpose of acquiring marketing facilities at terminal or other markets in this state or other states. [308.07 s. 3]

(c) A cooperative may purchase, own, and hold shares of capital stock, memberships, interests in nonstock capital, evidences of indebtedness of any domestic or foreign corporation when reasonably necessary or incidental to accomplish the purposes stated in the articles. [308.37]

Subd. 11. FIDUCIARY POWERS. A cooperative may exercise any and all fiduciary powers in relations with cooperatives or associations from which it is constituted. [308.05 s. 2]

Subd. 12. ELECTRIC COOPERATIVE POWERS. (a) An electric cooperative has the power and authority to:

(1) make loans to its members;

(2) prerefund debt;

(3) obtain funds through negotiated financing or public sale;

(4) borrow money and issue its bonds, debentures, notes, or other evidence of indebtedness;

(5) mortgage, pledge, or otherwise hypothecate its assets as may be necessary;

(6) invest its resources;

(7) deposit money in state and national banks and trust companies authorized to receive deposits; and

(8) exercise all other powers and authorities granted to cooperatives. [308.05 s. 5]

(b) A cooperative organized to provide rural electric power may enter agreements and contracts with other electric power cooperatives or with a cooperative constituted of electric power cooperatives to share losses and risk of losses to their transmission and distribution lines, transformers, substations, and related appurtenances from storm, sleet, hail, tornado, cyclone, hurricane, or wind storm. An agreement or contract or a cooperative formed to share losses under this paragraph is not subject to the laws of this state relating to insurance and insurance companies. [308.43]

Subd. 13. UTILITY COOPERATIVE CONDEMNATION POWER. A cooperative that is engaged in the electrical, heat, light, power, or telephone business may exercise the power of eminent domain in the manner provided by state law for the exercise of the power by other corporations engaged in the same business. [308.05 s. 1]

Subd. 14. CREAMERY COOPERATIVE SEWAGE CONDEMNATION

New language is indicated by underline, deletions by ~~strikeout~~.

POWER. (a) A creamery cooperative organized in this state has the right, power, and authority to condemn lands by eminent domain for easements for sewers and sites for filtration plants to take care of all sewage and refuse made in the operation of its business. The power and authority shall be exercised as provided in chapter 117. [308.39]

(b) The establishment, maintenance, and operation of sewers or filtration plants shall be under the supervision of the chair of the board of health as defined in section 145A.02, subdivision 2, of the town or city where the cooperative has its operating plant. [308.40]

Sec. 18. [308A.205] AGRICULTURAL MARKETING CONTRACTS.

Subdivision 1. AUTHORITY. A cooperative and its members or patrons may make and execute marketing contracts, requiring the members or patrons to sell a specified portion of their agricultural products or specified commodities exclusively to or through the cooperative or facilities established by the cooperative. [308.68]

Subd. 2. TITLE TO PRODUCTS. If a sale is contracted to the cooperative, the sale transfers title to the products absolutely, except for recorded liens and security interest, to the cooperative on delivery of the products or at another specified time if expressly provided in the contract. The contract may allow the cooperative to sell or resell the products of its members or patrons, with or without taking title to the product, and pay the resale price, after deducting all necessary selling, overhead, and other costs and expenses, including other proper reserves, and interest not exceeding eight percent per annum on common stock. [308.68]

Subd. 3. TERM OF CONTRACT. The term of a marketing contract may not exceed five years, but may be made self-renewing for periods not exceeding five years each, subject to the right of either party to terminate at the end of the original term and each renewal term by giving written notice of the termination during a period specified in the contract. The period for notifying to terminate a contract may not be more than 180 days or less than 30 days before the end of the term. [308.68]

Subd. 4. DAMAGES FOR BREACH OF CONTRACT. The bylaws or the marketing contract may set specific sums, as liquidated damages to be paid by the member or patron to the cooperative for breach of any provisions of the marketing contract regarding the sale or delivery or withholding of products including that the member or patron will pay the costs, premiums for bonds, expenses, and fees if an action is brought on the contract by the cooperative. The remedies for breach of contract are valid and enforceable in the courts of this state. The provisions shall be enforced as liquidated damages and are not to be considered or regarded as a penalty. [308.05 s. 4, 308.69]

Subd. 5. INJUNCTION AGAINST BREACH OF CONTRACT. If there is a breach or threatened breach of a marketing contract by a member or patron,

New language is indicated by underline, deletions by ~~strikeout~~.

the cooperative is entitled to an injunction to prevent the further breach of the contract, and to a decree of specific performance of the contract. Pending the adjudication of the action after filing a certified complaint showing the breach or threatened breach and filing a sufficient bond, the cooperative is entitled to a temporary restraining order and preliminary injunction against the member or patron. [308.05 s. 4, 308.69]

Subd. 6. PRESUMPTION ON ACTION ON CONTRACT. In an action on a marketing contract, it is presumed that landowners, landlords, and lessors are able to control the delivery of products produced on their land by tenants or others and are liable for and subject to remedies for the breach of delivery, if the tenancy, possession, or work on the land or the terms of the tenancy, possession, or labor on the land was created or changed after execution by the landowners, landlords, or lessors of the marketing contract. [308.05 s. 4, 308.69]

Subd. 7. PENALTIES FOR CONTRACT INTERFERENCE AND FALSE REPORTS. (a) A person or a corporation is guilty of a misdemeanor and subject to a \$500 civil penalty to be paid to the aggrieved cooperative or association if the person or the corporation's officers or employees:

(1) knowingly induce or attempt to induce a member or stockholder of a cooperative or an association operating in this state that is organized under similar statutes of other states with similar restrictions and rights to break a marketing contract with the cooperative or association; or

(2) maliciously and knowingly spread false reports about the finances or management or activity of a cooperative or association.

(b) Each violation is a separate offense and is subject to the penalties in paragraph (a). [308.05 s. 4, 308.78]

Subd. 8. CONTRACTS AND COOPERATIVES NOT IN RESTRAINT OF TRADE. A cooperative exercising authority under this section is not a combination in restraint of trade or an illegal monopoly, or an attempt to lessen competition or fix prices arbitrarily. The marketing contracts and agreements under this section are not illegal, or an unlawful restraint of trade, or a part of a conspiracy or combination to accomplish an improper or illegal purpose. [308.80]

BOARD OF DIRECTORS

Sec. 19. [308A.301] BOARD GOVERNS COOPERATIVE.

A cooperative is governed by its board. [308.11]

Sec. 20. [308A.305] NUMBER OF DIRECTORS.

The board must have at least five directors, except a cooperative housing corporation as defined in United States Code, title 26, section 216, subsection (b)(1), must have at least three directors who are members of the association. [308.11]

New language is indicated by underline, deletions by ~~strikeout~~.

Sec. 21. [308A.311] ELECTION OF DIRECTORS.

Subdivision 1. GENERALLY. Directors shall be elected for the term, at the time, and in the manner provided in this section and the bylaws. [308.11]

Subd. 2. ELECTION AT REGULAR MEETING. Directors shall be elected at the regular members' meeting for the terms of office prescribed in the bylaws. Except for directors elected at district meetings, all directors shall be elected at the regular members' meeting. [308.09 s. 1]

Subd. 3. DISTRICT OR LOCAL UNIT ELECTION OF DIRECTORS. (a) A cooperative with districts or other local units may elect directors on a district or local unit basis if provided in the bylaws.

(b) The directors may be nominated or elected at district meetings if provided in the bylaws. Directors who are nominated at district meetings shall be elected at the annual regular members' meeting by vote of the members of the entire membership, unless the bylaws provide that directors who are nominated at district meetings are to be elected by vote of the members of the district at the annual regular members' meeting. [308.07 s. 6]

Subd. 4. VOTE BY MAIL. (a) A member may not vote by mail for a director unless mail voting is authorized by the articles or bylaws.

(b) The ballot shall be in a form prescribed by the board.

(c) The member shall mark the ballot for the candidate chosen and mail the ballot to the cooperative in a sealed plain envelope inside another envelope bearing the shareholder's name.

(d) If the ballot of the member is received by the cooperative on or before the date of the regular members' meeting, the ballot shall be accepted and counted as the vote of the absent member. [308.071 s. 2]

Subd. 5. VOTE BY MAIL FOR TELEPHONE COOPERATIVE. If voting by mail is authorized by the articles or the bylaws of a telephone cooperative, a member may vote by mail for the director in the manner prescribed in the articles or bylaws. The mail voting shall be by secret ballot. [308.071 s. 3]

Subd. 6. FARM CORPORATION STOCKHOLDER MAY BE DIRECTOR. If a member of a cooperative is a family farm corporation defined in section 500.24, subdivision 2, clause (c), or an authorized farm corporation defined in section 500.24, subdivision 2, clause (d), the member may elect or appoint an individual stockholder of the farm corporation residing on or actively operating the farm to be eligible for election as a director to the board. [308.11]

Subd. 7. CORPORATE MEMBERS MAY NOMINATE PERSONS FOR DIRECTOR. If a member of a cooperative is not a natural person, family farm corporation, or an authorized farm corporation and the bylaws do not provide

New language is indicated by underline, deletions by ~~strikeout~~.

otherwise, the member may appoint or elect one or, for a cooperative constituted entirely of other cooperatives or associations, one or more natural persons to be eligible for election as a director to the board. [308.11]

Sec. 22. [308A.321] REMOVAL OF DIRECTORS.

Members may remove a director for cause and fill the vacancy caused by the removal at a regular or special members' meeting. [308.11]

Sec. 23. [308A.325] LIMITATION OF DIRECTOR'S LIABILITY.

Subdivision 1. ARTICLES MAY LIMIT LIABILITY. A director's personal liability to the cooperative or members for monetary damages for breach of fiduciary duty as a director may be eliminated or limited in the articles as provided in subdivision 2. [308.111]

Subd. 2. RESTRICTIONS ON LIABILITY LIMITATION. The articles may not eliminate or limit the liability of a director:

(1) for a breach of the director's duty of loyalty to the cooperative or its members;

(2) for acts or omissions that are not in good faith or involve intentional misconduct or a knowing violation of law;

(3) for a transaction from which the director derived an improper personal benefit; or

(4) for an act or omission occurring before the date when the provision in the articles eliminating or limiting liability becomes effective. [308.111]

OFFICERS

Sec. 24. [308A.401] OFFICERS.

Subdivision 1. REQUIRED OFFICERS. (a) The board shall elect:

(1) a president;

(2) one or more vice presidents;

(3) a secretary; and

(4) a treasurer.

(b) The board may elect additional officers as the articles or bylaws authorize or require. [308.11]

Subd. 2. SECRETARY AND TREASURER MAY BE COMBINED. The offices of secretary and treasurer may be combined and if combined the person filling the office shall be termed secretary-treasurer. [308.11]

New language is indicated by underline, deletions by ~~strikeout~~.

Subd. 3. CHAIR AND VICE CHAIR. If the bylaws provide, the board may elect directors as a chair and one or more vice chairs. [308.11]

Subd. 4. OFFICERS THAT MUST BE STOCKHOLDERS. The president and vice president must be directors and members unless the articles or bylaws provide for a chair and one or more vice chairs and the articles or bylaws do not require otherwise. The treasurer, secretary, and additional officers need not be directors or members. [308.11]

Subd. 5. REMOVAL OF OFFICERS. Members may remove an officer at a members' meeting for cause and fill the vacancy caused by the removal. [308.11]

STOCK

Sec. 25. [308A.501] CAPITAL STOCK.

Subdivision 1. AUTHORIZED AMOUNTS. The amount, number of shares, and par value of the authorized capital stock may be increased or decreased and classes of the capital stock may be established or altered by amending the articles at a regular members' meeting or at a special members' meeting called for the purpose of the amendment. [308.07 s. 1]

Subd. 2. ISSUANCE OF SHARES. A share of stock may not be issued until at least the par value of the share has been paid for in cash or a cash equivalent. [308.07 s. 2]

Subd. 3. SALE OF STOCK TO BE APPROVED BY BOARD. Stock in a cooperative may only be sold or transferred with the approval of the board. [308.07 s. 9]

Subd. 4. REPURCHASE BY COOPERATIVE. (a) The bylaws must provide that the cooperative has the first privilege of purchasing stock of any class offered for sale by a stockholder.

(b) Stock acquired by the cooperative may be held as treasury stock or may be retired and canceled. [308.07 s. 9]

Sec. 26. [308A.505] SUBJECT TO SECURITIES LAW.

Cooperatives are subject to the provisions of chapter 80A, except as specifically provided in section 80A.15. [308.06 s. 3]

MEMBERS

Sec. 27. [308A.601] GROUPING OF MEMBERS.

Subdivision 1. AUTHORIZATION. A cooperative may in the articles or bylaws group members in districts, local units, or another basis. [308.07 s. 5]

New language is indicated by underline, deletions by ~~strikeout~~.

Subd. 2. IMPLEMENTATION. The board may do things necessary to implement the use of districts or local units including setting the time and place and prescribing the rules of conduct for holding meetings by districts or local units to elect delegates to members' meetings. [308.07 s. 8]

Sec. 28. [308A.605] STOCKHOLDER VIOLATIONS.

(a) A stockholder who knowingly, intentionally, or repeatedly violates a provision of the bylaws may be required by the board to surrender stock of any class owned by the stockholder. [308.07 s. 9]

(b) The cooperative shall refund to the stockholder the lesser of the par value or the book value of the stock. Stock required to be surrendered shall be retired and canceled by the board. [308.07 s. 9]

Sec. 29. [308A.611] REGULAR MEMBERS' MEETINGS.

Subdivision 1. ANNUAL MEETING. Regular members' meetings must be held annually at a time determined by the board, unless otherwise provided for in the articles or bylaws. [308.09 s. 1]

Subd. 2. LOCATION. The regular members' meeting shall be held at the principal place of business of the cooperative, or at another place conveniently located within the area served by the cooperative. A cooperative constituted entirely or partially of other cooperatives or associations organized under the laws of another state, or doing business in another state, may hold regular members' meetings at a place within or outside of the state, as designated in the notice of the meeting. [308.09 s. 1]

Subd. 3. BUSINESS AND FISCAL REPORTS. The officers must submit reports to the members at the regular members' meeting covering the business of the cooperative for the previous fiscal year that show the condition of the cooperative at the close of the fiscal year. [308.09 s. 1]

Subd. 4. ELECTION OF DIRECTORS. All directors shall be elected at the regular members' meeting for the terms of office prescribed in the bylaws, except for directors elected at district or local unit meetings. [308.09 s. 1]

Subd. 5. NOTICE. (a) The secretary shall give notice of regular members' meetings by:

(1) publication in a legal newspaper published in the county of the principal place of business of the cooperative;

(2) publication in a magazine, periodical, or other publication of the cooperative that is regularly published by or on behalf of the cooperative and circulated generally among members; or

(3) mailing the regular members' meeting notice to each member personally at the person's last known post office address, which for a member cooperative means notice mailed to the secretary of the cooperative.

New language is indicated by underline, deletions by ~~strikeout~~.

(b) The regular members' meeting notice must be published at least two weeks before the date of the meeting or mailed at least 15 days before the date of the meeting. [308.09 s. 1]

Sec. 30. [308A.615] SPECIAL MEMBERS' MEETINGS.

Subdivision 1. CALLING MEETING. Special members' meetings of the members may be called by:

(1) a majority vote of the board; or

(2) the written petition of at least 20 percent of the members submitted to the president. [308.09 s. 2]

Subd. 2. NOTICE. (a) The president shall give notice of a special members' meeting.

(b) The special members' meeting notice shall state the time, place, and purpose of the special members' meeting.

(c) The special members' meeting notice shall be issued within ten days from and after the date of the presentation of a members' petition, and the special members' meeting must be held by 30 days after the date of the presentation of the members' petition. [308.09 s. 2]

Sec. 31. [308A.621] CERTIFICATION OF MAILED MEETING NOTICE.

(a) After mailing special or regular members' meeting notices, the secretary shall execute a certificate containing:

(1) a correct copy of the mailed notice;

(2) the date of mailing the notice; and

(3) a statement that the special or regular members' meeting notices were mailed as prescribed by this section.

(b) The certificate shall be made a part of the record of the meeting. [308.09 s. 2]

Sec. 32. [308A.625] FAILURE TO RECEIVE MEETING NOTICE.

Failure of a member to receive a special or regular members' meeting notice does not invalidate an action that is taken by the members at a members' meeting. [308.09 s. 2]

Sec. 33. [308A.631] QUORUM.

Subdivision 1. QUORUM. (a) Except as provided in paragraph (b), the quorum for a members' meeting to transact business is:

(1) ten percent of the total number of members for a cooperative with 500 or less members; or

New language is indicated by underline, deletions by ~~strikeout~~.

(2) 50 members for cooperatives with more than 500 members.

(b) The quorum provisions of paragraph (a) apply notwithstanding quorum requirements of the articles or the bylaws, except for:

(1) a larger quorum in articles filed by a cooperative after March 26, 1949; or

(2) a larger quorum provided by amending the articles or bylaws after May 1, 1959. [308.10]

Subd. 2. QUORUM FOR VOTING BY MAIL. In determining a quorum at a meeting, on a question submitted to a vote by mail, members present in person or represented by mail vote shall be counted. The attendance of a sufficient number of members to constitute a quorum shall be established by a registration of the members of the cooperative present at the meeting. The registration shall be verified by the president and secretary of the cooperative and shall be reported in the minutes of the meeting. [308.10]

Subd. 3. MEETING ACTION INVALID WITHOUT QUORUM. An action by a cooperative is not valid or legal in the absence of a quorum at the meeting at which the action was taken. [308.10]

Sec. 34. [308A.635] MEMBER VOTING RIGHTS.

Subdivision 1. MEMBER HAS ONE VOTE. A member of a cooperative is only entitled to one vote. [308.07 s. 3]

Subd. 2. SPOUSE MAY VOTE FOR MEMBER. If a vote of members is taken on any matter, including a petition pursuant to section 216B.02, subdivision 4, the spouse of the member may vote on behalf of the member unless the member has indicated otherwise. [308.105]

Subd. 3. RIGHT TO VOTE AT MEETING. A member or delegate may exercise voting rights on any matter that is before the members at a members' meeting from the time the member or delegate arrives at the members' meeting, unless the articles or bylaws specify an earlier and specific time for closing the right to vote. [308.07 s. 3]

Subd. 4. VOTING METHOD. A member's vote at a members' meeting must be in person or by mail and not by proxy, except as provided in subdivisions 2 and 5. [308.07 s. 3]

Subd. 5. MEMBERS REPRESENTED BY DELEGATES. (a) A cooperative may provide in the articles or bylaws that local units of members are entitled to be represented at members' meetings by delegates chosen by the members of the unit. The delegates may vote on matters at the members' meeting in the same manner as a member. The delegates may only exercise the voting rights on a basis and with the number of votes as prescribed in the articles or bylaws.

New language is indicated by underline, deletions by ~~strikeout~~.

(b) If the approval of a certain portion of the members is required for adoption of amendments, a dissolution, a merger, a consolidation, or a sale of assets, the votes of delegates shall be counted as votes by the members represented by the delegate. [308.07 s. 7]

Subd. 6. ABSENTEE BALLOTS. (a) A member who is absent from a members' meeting may vote by mail on the ballot prescribed in this subdivision on any motion, resolution, or amendment that the board submits to the members.

(b) The ballot shall be in the form prescribed by the board and contain:

(1) the exact text of the proposed motion, resolution, or amendment to be acted on at the meeting; and

(2) spaces opposite the text of the motion, resolution, or amendment in which the member may indicate an affirmative or negative vote.

(c) The member shall express a choice by marking an "X" in the appropriate space on the ballot. The ballot must be signed by the member.

(d) A properly executed ballot shall be accepted by the board and counted as the vote of the absent member at the meeting. [308.07 s. 10]

Sec. 35. [308A.641] VOTE OF COOPERATIVE CONSTITUTED OF OTHER COOPERATIVES.

A cooperative that is constituted entirely or partially of other cooperatives or associations may authorize by the articles or the bylaws for affiliated cooperative members to have an additional vote for a stipulated amount of business transacted between the member cooperative and the cooperative central organization or a stipulated number of members in the member cooperative. [308.07 s. 4]

Sec. 36. [308A.645] VOTE OF CORPORATE STOCK HELD BY COOPERATIVE.

A cooperative that holds stock of another corporation may by direction of the cooperative's board or members elect or appoint a person to represent the cooperative at a meeting of the corporation. The representative has authority to represent the cooperative and may cast the cooperative's vote at the corporation's meeting. [308.07 s. 3]

EARNINGS, RESERVE, AND DISTRIBUTIONS.

Sec. 37. [308A.701] RESERVES.

Subdivision 1. CAPITAL RESERVE. A cooperative may set aside a portion of net income as the board determines advisable to create or maintain a capital reserve. [308.12 s. 1]

New language is indicated by underline, deletions by ~~strikeout~~.

Subd. 2. ADDITIONAL RESERVES. In addition to a capital reserve, the board may:

(1) set aside an amount not to exceed five percent of the annual net income of the cooperative for promoting and encouraging cooperative organization; and

(2) establish and accumulate reserves for new buildings, machinery and equipment, depreciation, losses, and other proper purposes. [308.12 s. 1]

Sec. 38. [308A.705] DISTRIBUTION OF INCOME.

Subdivision 1. DISTRIBUTION OF NET INCOME. Net income in excess of dividends on capital stock and additions to reserves shall be distributed on the basis of patronage. [308.12 s. 1]

Subd. 2. FREQUENCY OF INCOME DISTRIBUTION. (a) Distribution of net income shall be made at least annually.

(b) A cooperative with income from trucking operations may only distribute net income annually. The board shall present to the members at their annual meeting a report covering the operations of the cooperative during the preceding fiscal year. [308.12 s. 2]

Subd. 3. DIVIDENDS. Dividends may be paid on capital stock only if the net income of the cooperative for the previous fiscal year is sufficient. The dividends are not cumulative. [308.12 s. 3]

Subd. 4. FORM OF DISTRIBUTION. A cooperative may distribute net income in cash, credits, revolving fund certificates, or its own or other securities. [308.12 s. 4]

Subd. 5. ELIGIBLE NONMEMBER PATRONS. (a) The members may provide in the bylaws that nonmember patrons are allowed to participate in the distribution of net income on equal terms with member patrons. [308.12 s. 1]

(b) If a nonmember patron is qualified and eligible for membership, the amount of patronage refund due shall be credited to the patron's individual account.

(c) If the credits equal the value of a share of common stock that entitles the stockholder to vote, or a membership, a share of stock or a membership shall be issued to the nonmember patron. [308.12 s. 1]

Subd. 6. PATRONAGE CREDITS FOR INELIGIBLE MEMBERS. If a nonmember patron with patronage credits is not qualified or eligible for membership, a refund due may be credited to the patron's individual account. If the credited amount in the individual account of a patron ineligible for membership equals the value of a share of common stock and does not entitle the holder to vote, or to preferred stock or a certificate of interest, the board may issue a share of preferred stock or a certificate of interest. After the patron is issued preferred

New language is indicated by underline, deletions by ~~strikeout~~.

stock or a certificate of interest, the patron may participate in the distribution of income on the same basis as a stockholder or member. [308.12 s. 1]

Sec. 39. [308A.711] DISTRIBUTION OF UNCLAIMED PROPERTY.

Subdivision 1. ALTERNATE PROCEDURE TO DISBURSE PROPERTY. Notwithstanding the provisions of section 345.43, a cooperative may, in lieu of paying or delivering to the commissioner of commerce the unclaimed property specified in its report of unclaimed property, distribute the unclaimed property to a corporation or organization that is exempt from taxation under section 290.05, subdivision 1, paragraph (b), or 2. A cooperative making the election to distribute unclaimed property shall, within 20 days after the time specified in section 345.42 for claiming the property from the holder, file with the commissioner of commerce:

(1) a verified written explanation of the proof of claim of an owner establishing a right to receive the abandoned property;

(2) any errors in the presumption of abandonment;

(3) the name, address, and exemption number of the corporation or organization to which the property was or is to be distributed; and

(4) the approximate date of distribution. [308.12 s. 5]

Subd. 2. REPORTING AND CLAIMING PROCEDURE NOT AFFECTED. This subdivision does not alter the procedure provided in sections 345.41 and 345.42 for cooperatives to report unclaimed property to the commissioner of commerce and the requirement that claims of owners are made to the cooperatives for a period of 65 days following the publication of lists of abandoned property. [308.12 s. 5]

Subd. 3. OWNER'S RIGHT EXTINGUISHED ON DISBURSEMENT. The right of an owner to unclaimed property held by a cooperative is extinguished when the property is disbursed by the cooperative to a tax-exempt organization in accordance with this section. [308.12 s. 5]

MERGER AND CONSOLIDATION

Sec. 40. [308A.801] MERGER AND CONSOLIDATION.

Subdivision 1. AUTHORIZATION. Unless otherwise prohibited, cooperatives or associations organized under the laws of this state may merge or consolidate with each other or with associations incorporated under the laws of another state by complying with the provisions of this section or the law of the state where the surviving or new association will exist. [308.15 s. 4]

Subd. 2. PLAN. To initiate a merger or consolidation, a written plan of merger or consolidation must be prepared by the board or by a committee selected by the board or the members to prepare a plan. The plan must state:

New language is indicated by underline, deletions by ~~strikeout~~.

- (1) the terms of the merger or consolidation;
- (2) the proposed effect of the consolidation or merger on the members of the cooperative; and
- (3) for a consolidation, the plan must contain the articles of the new association. [308.15 s. 4]

Subd. 3. NOTICE. (a) The board must mail a merger or consolidation notice to each member. The notice must contain:

- (1) the full text of the plan; and
- (2) the time and place of the meeting at which the plan will be considered.

(b) A cooperative or association with more than 200 members may publish the merger or consolidation notice in the same manner as a regular members' meeting notice. [308.15 s. 4]

Subd. 4. ADOPTION OF PLAN. (a) A plan of merger or consolidation is adopted if:

(1) a quorum of the members is registered as being present or represented by mail vote at the meeting; and

(2) the plan is approved by two-thirds of the votes cast.

(b) After the plan has been adopted, articles of merger or consolidation stating the plan and the manner of adoption of the plan shall be signed by the president, vice president, secretary, or assistant secretary of each cooperative or association merging or consolidating.

(c) The plan shall be approved by the attorney general.

(d) The articles of merger or consolidation shall be filed in the office of the secretary of state and recorded in the office of the county recorder of each county where each merging or consolidating cooperative or association has a principal place of business.

(e) For a merger, the articles of the surviving cooperative or association are deemed amended to the extent provided in the articles of merger.

(f) Unless otherwise provided in the plan, the merger or consolidation is effective when the articles of merger or consolidation are filed in the office of the secretary of state. [308.15 s. 4]

Subd. 5. EFFECT OF MERGER. (a) After the effective date, the cooperatives and associations that are parties to the plan become a single association. For a merger, the surviving association is the association designated in the plan. For a consolidation, the new cooperative is the association provided for in the plan. Except for the surviving or new association, the separate existence of all cooperatives and associations that are parties to the plan cease on the effective date of the merger or consolidation.

New language is indicated by underline, deletions by ~~strikeout~~.

(b) The surviving or new association possesses all of the rights and property of each of the merged or consolidated cooperatives or associations, and is responsible for all their obligations. The title to property of the merged or consolidated association is vested in the surviving or new association without reversion or impairment of the title caused by the merger or consolidation.

(c) The right of a creditor may not be impaired by the merger or consolidation without the creditor's consent. [308.15 s. 4]

Subd. 6. FILING FEE. The fee to be paid to the secretary of state for filing articles of merger is \$50. [308.06 s. 4]

LIQUIDATION

Sec. 41. [308A.901] LIQUIDATION.

Subdivision 1. MEMBERS MAY AUTHORIZE LIQUIDATION. If a liquidation is authorized by the members, the board may dispose of all or substantially all of the property of the cooperative on terms and conditions determined by the board. [308.05 s. 6]

Subd. 2. RESOLUTION AT MEMBERS' MEETING. The members may authorize a liquidation by adopting a resolution at a members' meeting. The notice of the members' meeting must include a statement that the disposition of the property of the cooperative will be considered at the meeting. If a quorum is present in person or by mail ballot at the members' meeting, the resolution approving of the liquidation is adopted if approved by two-thirds of the votes cast, unless the articles or bylaws of the cooperative require a greater proportion of the votes cast or of the total number of members with voting rights to approve liquidation. [308.05 s. 6]

Sec. 42. [308A.905] DISSOLUTION OF COOPERATIVE.

Subdivision 1. VOLUNTARY DISSOLUTION. (a) Voluntary proceedings for dissolution of a cooperative may be initiated by a resolution for dissolution adopted by two-thirds of the votes cast on the question of dissolution at a members' meeting with a quorum that is called to vote on dissolution of the cooperative. [308.14 s. 2]

Subd. 2. OUT OF COURT DISSOLUTION BY TRUSTEES. (a) The resolution may provide that the affairs of the cooperative will be wound up out of court, if the resolution designates one or more trustees to conduct the winding up. The resolution may provide a method for filling vacancies in the office of trustees and for the election of a president and secretary of the trustees from their own number. [308.14 s. 2]

(b) The appointment is not operative until a certificate of dissolution is filed.

(c) If a vacancy occurs in the office of trustee, it may be filled by resolution adopted by a majority of the persons voting at a members' meeting. The

New language is indicated by underline, deletions by ~~strikeout~~.

members' meeting may be called by the remaining trustee or trustees, if any, and if none, then by any member. Unless the resolution to dissolve provides otherwise, the trustee or trustees may be removed with or without cause by the vote of a majority of the members at a members' meeting called for that purpose. [308.14 s. 2]

Subd. 3. FILING CERTIFICATE OF DISSOLUTION. (a) A certificate of dissolution stating the resolution and the manner of its adoption, signed by the president, vice president, secretary or assistant secretary must be filed.

(b) If the articles have been filed with the secretary of state, the certificate of dissolution must be filed with the secretary of state.

(c) If the cooperative's current articles or certificate of incorporation and amendments are not on file with the secretary of state, the certificate of voluntary dissolution shall be filed with the public officer having custody of the current articles or certificate of incorporation and amendments.

(d) If the cooperative's current articles or certificate of incorporation and amendments are not on file with a public officer, the certificate of voluntary dissolution shall be filed with the public officer with whom the articles or certificate should have been filed pursuant to law. [308.14 s. 2]

Subd. 4. COURT SUPERVISION OF DISSOLUTION. If the resolution to dissolve provides that the affairs of the cooperative will be wound up under the supervision of the court, the resolution shall authorize certain directors or members to sign and present a petition to the court requesting that the cooperative be wound up and dissolved under the supervision of the court. If a cooperative is being wound up and dissolved out of court, the trustee, or if there is more than one trustee, a majority of the trustees, may by petition apply to the court for a receiver and to have the proceedings continued under the supervision of the court. After the petition is filed with the court, the proceedings shall continue as if originally instituted subject to the supervision of the court. [308.14 s. 2]

Subd. 5. DUTIES OF TRUSTEES. (a) Except as otherwise provided in the resolution for dissolution, the trustee or trustees appointed by the members to wind up the cooperative's business must proceed as soon as practicable to:

- (1) collect all sums due or owing to the cooperative;
- (2) sell and convert all corporate assets into cash;
- (3) collect remaining unpaid amounts on subscriptions to shares; and
- (4) pay all debts and liabilities of the cooperative according to their respective priorities.

(b) Any property remaining after discharging the debts and liabilities of the cooperative shall be distributed by the trustee or trustees to the stockholders of the several classes according to their respective priorities, members, or patrons.

New language is indicated by underline, deletions by ~~strikeout~~.

of the association. Stockholders of the several classes according to their respective priorities shall first be paid the par value of their shares, and the remainder of the property shall be distributed among patrons, members, and common stockholders in accordance with their interest in the reserves and surplus as shown by the records of the cooperative.

(c) The resolution for dissolution may provide a different method or plan of liquidation of the cooperative cooperative. The resolution may include a plan or procedure for all or part of the property of the cooperative to be acquired by another cooperative or association. A plan of acquisition by a cooperative or association contained in the resolution for dissolution is invalid if all other provisions of this section have been fully complied with. [308.14 s. 3]

Subd. 6. UNDISTRIBUTED PROPERTY TO TAX EXEMPT ORGANIZATION. Notwithstanding subdivision 4 and the resolution for dissolution, if five years after the resolution for dissolution, property remains and is unable to be distributed for any reason after discharging the debts and liabilities of the cooperative, the undistributed property may be distributed by the trustee or trustees to a tax exempt organization under section 290.05, subdivision 2, or to a unit of state or local government. [308.14 s. 3b]

Subd. 7. DISSOLUTION ORDER. Under a court supervised dissolution, the court shall make an order dissolving the cooperative when the business of the cooperative has been wound up. [308.14 s. 4]

Subd. 8. DISSOLUTION CERTIFICATE. If the dissolution is not a court supervised dissolution, the trustees, president or secretary of the trustees, or the attorney representing the trustees shall sign a certificate stating that the cooperative has completely wound up its business and is dissolved. A president, secretary, or attorney of the trustees must make an affidavit stating that they are acting on behalf of the trustees. [308.14 s. 4]

Subd. 9. FILING OF DISSOLUTION ORDER OR DISSOLUTION CERTIFICATE. The order or certificate of dissolution shall be filed for record in the same manner as a certificate of dissolution and after filing the order or certificate of dissolution the corporate existence of the cooperative terminates. [308.14 s. 5]

Subd. 10. OMITTED ASSETS. The title to assets omitted from the winding up shall vest in the trustees, or receivers, for the benefit of the persons entitled to the assets and shall be administered and distributed for those persons accordingly. [308.14 s. 6]

Sec. 43. [308A.911] DISSOLUTION OF CERTAIN RURAL TELEPHONE COOPERATIVES.

A rural cooperative telephone company organized under Revised Statutes 1905, chapter 58, or the general laws of Minnesota 1905, chapters 276 and 313, may dissolve by voluntary proceedings as provided by sections 302A.721 to 302A.733, after a resolution for dissolution is adopted by a majority of the

New language is indicated by underline, deletions by ~~strikeout~~.

voting power of all stockholders or members at a meeting called to consider the dissolution. [308.341]

Sec. 44. **REPEALER.**

Minnesota Statutes 1988, sections 308.01; 308.02; 308.03; 308.05; 308.06; 308.061; 308.062; 308.07; 308.071; 308.08; 308.09; 308.10; 308.105; 308.11; 308.111; 308.12; 308.13; 308.14; 308.15; 308.16; 308.17; 308.18; 308.29; 308.30; 308.31; 308.32; 308.34; 308.341; 308.35; 308.36; 308.361; 308.37; 308.39; 308.40; 308.41; 308.42; 308.43; 308.51; 308.52; 308.53; 308.54; 308.55; 308.56; 308.57; 308.58; 308.59; 308.60; 308.61; 308.62; 308.63; 308.64; 308.65; 308.66; 308.67; 308.68; 308.69; 308.70; 308.71; 308.72; 308.73; 308.74; 308.75; 308.76; 308.77; 308.78; 308.79; 308.80; 308.81; 308.82; 308.83; 308.84; 308.85; 308.853; 308.854; 308.901; 308.902; 308.903; 308.904; 308.905; and 308.92, are repealed.

ARTICLE 2

CORRECTION OF CROSS-REFERENCES

Section 1. Minnesota Statutes 1988, section 47.20, subdivision 2, is amended to read:

Subd. 2. **DEFINITIONS.** For the purposes of this section the terms defined in this subdivision have the meanings given them:

(1) "Actual closing costs" mean reasonable charges for or sums paid for the following, whether or not retained by the mortgagee or lender:

(a) Any insurance premiums including but not limited to premiums for title insurance, fire and extended coverage insurance, flood insurance, and private mortgage insurance, but excluding any charges or sums retained by the mortgagee or lender as self-insured retention.

(b) Abstracting, title examination and search, and examination of public records.

(c) The preparation and recording of any or all documents required by law or custom for closing a conventional or cooperative apartment loan.

(d) Appraisal and survey of real property securing a conventional loan or real property owned by a cooperative apartment corporation of which a share or shares of stock or a membership certificate or certificates are to secure a cooperative apartment loan.

(e) A single service charge, which includes any consideration, not otherwise specified herein as an "actual closing cost" paid by the borrower and received and retained by the lender for or related to the acquisition, making, refinancing or modification of a conventional or cooperative apartment loan, and also includes

New language is indicated by underline, deletions by ~~strikeout~~.

any consideration received by the lender for making a borrower's interest rate commitment or for making a borrower's loan commitment, whether or not an actual loan follows the commitment. The term service charge does not include forward commitment fees. The service charge shall not exceed one percent of the original bona fide principal amount of the conventional or cooperative apartment loan, except that in the case of a construction loan, the service charge shall not exceed two percent of the original bona fide principal amount of the loan. That portion of the service charge imposed because the loan is a construction loan shall be itemized and a copy of the itemization furnished the borrower. A lender shall not collect from a borrower the additional one percent service charge permitted for a construction loan if it does not perform the service for which the charge is imposed or if third parties perform and charge the borrower for the service for which the lender has imposed the charge.

(f) Charges and fees necessary for or related to the transfer of real or personal property securing a conventional or cooperative apartment loan or the closing of a conventional or cooperative apartment loan paid by the borrower and received by any party other than the lender.

(2) "Contract for deed" means an executory contract for the conveyance of real estate, the original principal amount of which is less than \$100,000. A commitment for a contract for deed shall include an executed purchase agreement or earnest money contract wherein the seller agrees to finance any part or all of the purchase price by a contract for deed.

(3) "Conventional loan" means a loan or advance of credit, other than a loan or advance of credit made by a credit union or made pursuant to section 334.011, to a noncorporate borrower in an original principal amount of less than \$100,000, secured by a mortgage upon real property containing one or more residential units or upon which at the time the loan is made it is intended that one or more residential units are to be constructed, and which is not insured or guaranteed by the secretary of housing and urban development, by the administrator of veterans affairs, or by the administrator of the farmers home administration, and which is not made pursuant to the authority granted in subdivision 1, clause (3) or (4). The term mortgage does not include contracts for deed or installment land contracts.

(4) "Cooperative apartment loan" means a loan or advance of credit, other than a loan or advance of credit made by a credit union or made pursuant to section 334.011, to a noncorporate borrower in an original principal amount of less than \$100,000, secured by a security interest on a share or shares of stock or a membership certificate or certificates issued to a stockholder or member by a cooperative apartment corporation, which may be accompanied by an assignment by way of security of the borrower's interest in the proprietary lease or occupancy agreement in property issued by the cooperative apartment corporation and which is not insured or guaranteed by the secretary of housing and urban development, by the administrator of veterans affairs, or by the administrator of the farmers home administration.

New language is indicated by underline, deletions by ~~strikeout~~.

(5) "Cooperative apartment corporation" means a corporation or ~~association~~ cooperative organized under ~~sections 308.05 to 308.18~~ chapter 308A or chapter 317, the shareholders or members of which are entitled, solely by reason of their ownership of stock or membership certificates in the corporation or association, to occupy one or more residential units in a building owned or leased by the corporation or association.

(6) "Forward commitment fee" means a fee or other consideration paid to a lender for the purpose of securing a binding forward commitment by or through the lender to make conventional loans to two or more credit worthy purchasers, including future purchasers, of residential units, or a fee or other consideration paid to a lender for the purpose of securing a binding forward commitment by or through the lender to make conventional loans to two or more credit worthy purchasers, including future purchasers, of apartments as defined in section 515.02 to be created out of existing structures pursuant to the Minnesota condominium act, or a fee or other consideration paid to a lender for the purpose of securing a binding forward commitment by or through the lender to make cooperative apartment loans to two or more credit worthy purchasers, including future purchasers, of a share or shares of stock or a membership certificate or certificates in a cooperative apartment corporation; provided, that the forward commitment rate of interest does not exceed the maximum lawful rate of interest effective as of the date the forward commitment is issued by the lender.

(7) "Borrower's interest rate commitment" means a binding commitment made by a lender to a borrower wherein the lender agrees that, if a conventional or cooperative apartment loan is made following issuance of and pursuant to the commitment, the conventional or cooperative apartment loan shall be made at a rate of interest not in excess of the rate of interest agreed to in the commitment, provided that the rate of interest agreed to in the commitment is not in excess of the maximum lawful rate of interest effective as of the date the commitment is issued by the lender to the borrower.

(8) "Borrower's loan commitment" means a binding commitment made by a lender to a borrower wherein the lender agrees to make a conventional or cooperative apartment loan pursuant to the provisions, including the interest rate, of the commitment, provided that the commitment rate of interest does not exceed the maximum lawful rate of interest effective as of the date the commitment is issued and the commitment when issued and agreed to shall constitute a legally binding obligation on the part of the mortgagee or lender to make a conventional or cooperative apartment loan within a specified time period in the future at a rate of interest not exceeding the maximum lawful rate of interest effective as of the date the commitment is issued by the lender to the borrower; provided that a lender who issues a borrower's loan commitment pursuant to the provisions of a forward commitment is authorized to issue the borrower's loan commitment at a rate of interest not to exceed the maximum lawful rate of interest effective as of the date the forward commitment is issued by the lender.

New language is indicated by underline, deletions by ~~strikeout~~.

(9) "Finance charge" means the total cost of a conventional or cooperative apartment loan including extensions or grant of credit regardless of the characterization of the same and includes interest, finders fees, and other charges levied by a lender directly or indirectly against the person obtaining the conventional or cooperative apartment loan or against a seller of real property securing a conventional loan or a seller of a share or shares of stock or a membership certificate or certificates in a cooperative apartment corporation securing a cooperative apartment loan, or any other party to the transaction except any actual closing costs and any forward commitment fee. The finance charges plus the actual closing costs and any forward commitment fee, charged by a lender shall include all charges made by a lender other than the principal of the conventional or cooperative apartment loan. The finance charge, with respect to wraparound mortgages, shall be computed based upon the face amount of the wraparound mortgage note, which face amount shall consist of the aggregate of those funds actually advanced by the wraparound lender and the total outstanding principal balances of the prior note or notes which have been made a part of the wraparound mortgage note.

(10) "Lender" means any person making a conventional or cooperative apartment loan, or any person arranging financing for a conventional or cooperative apartment loan. The term also includes the holder or assignee at any time of a conventional or cooperative apartment loan.

(11) "Loan yield" means the annual rate of return obtained by a lender over the term of a conventional or cooperative apartment loan and shall be computed as the annual percentage rate as computed in accordance with sections 226.5 (b), (c) and (d) of Regulation Z, Code of Federal Regulations, title 12, section 226, but using the definition of finance charge provided for in this subdivision. For purposes of this section, with respect to wraparound mortgages, the rate of interest or loan yield shall be based upon the principal balance set forth in the wraparound note and mortgage and shall not include any interest differential or yield differential between the stated interest rate on the wraparound mortgage and the stated interest rate on the one or more prior mortgages included in the stated loan amount on a wraparound note and mortgage.

(12) "Monthly index of the federal home loan mortgage corporation auction yields" means the net weighted average yield of accepted offers in the eight month forward commitment program of the federal home loan mortgage corporation in a month.

(13) "Person" means an individual, corporation, business trust, partnership or association or any other legal entity.

(14) "Residential unit" means any structure used principally for residential purposes or any portion thereof, and includes a unit in a townhouse or planned unit development, a condominium apartment, a nonowner occupied residence, and any other type of residence regardless of whether the unit is used as a principal residence, secondary residence, vacation residence or residence of some other denomination.

New language is indicated by underline, deletions by ~~strikeout~~.

(15) "Vendor" means any person or persons who agree to sell real estate and finance any part or all of the purchase price by a contract for deed. The term also includes the holder or assignee at any time of the vendor's interest in a contract for deed.

Sec. 2. Minnesota Statutes 1988, section 117.232, subdivision 1, is amended to read:

Subdivision 1. When acquisition of private property is accomplished by the state department of transportation by direct purchase the owner shall be entitled to reimbursement for appraisal fees, not to exceed a total of \$500. When acquisition of private property is accomplished by any other acquiring authority, the owner is entitled to reimbursement for appraisal fees, not to exceed \$500, if the owner is otherwise entitled to reimbursement under sections 117.50 to 117.56. The purchaser in all instances shall inform the owner of the right, if any, to reimbursement for appraisal fees reasonably incurred, in an amount not to exceed \$500, together with relocation costs, moving costs and any other related expenses to which an owner is entitled by sections 117.50 to 117.56. This subdivision does not apply to acquisition for utility purposes made by a public service corporation organized pursuant to section 300.03 or electric cooperative associations organized pursuant to ~~section 308.05~~ chapter 308A.

Sec. 3. Minnesota Statutes 1988, section 216B.027, subdivision 5, is amended to read:

Subd. 5. **PETITIONS; VOTING.** Notwithstanding the provisions of ~~section 308.09~~ article 1, sections 29 and 30, upon receipt of a written petition concerning governance matters signed by at least 500 stockholders or five percent of the stockholders, whichever is less, of a retail cooperative electric association, the matter in the petition must be presented to the stockholders of the cooperative for a vote at the next annual meeting. Petitions must be received by the cooperative electric association 60 days prior to the scheduled annual meeting. For purposes of this section, "governance matters" means matters properly contained in the articles of incorporation or bylaws by adopting, amending, or repealing bylaws or the articles of incorporation.

Sec. 4. Minnesota Statutes 1988, section 237.075, subdivision 9, is amended to read:

Subd. 9. **ELECTION ON REGULATION.** For the purposes of this section, "telephone company" shall not include a cooperative telephone association organized under the provisions of chapter 308, an independent telephone company, or a municipal, unless the cooperative telephone association, independent telephone company, or municipal makes the election provided in this subdivision.

A cooperative telephone association may elect to become subject to rate regulation by the commission pursuant to this section. The election shall be (a) approved by the board of directors of the association in accordance with the

New language is indicated by underline, deletions by ~~strikeout~~.

procedures for amending the articles of incorporation contained in ~~section 308.15, subdivision 4~~ article 1, section 11, excluding the filing requirements; or (b) approved by a majority of members or stockholders voting by mail ballot initiated by petition of no fewer than five percent of the members or stockholders of the association. The ballot to be used for the election shall be approved by the board of directors and the department of public service. The department shall mail the ballots to the association's members who shall return the ballots to the department. The department will keep the ballots sealed until a date agreed upon by the department and the board of directors. On this date, representatives of the department and the association shall count the ballots. If a majority of the association's members who vote elect to become subject to rate regulation by the commission, the election shall be effective 30 days after the date the ballots are counted. For purposes of this section, the term "member or stockholder" shall mean either the member or stockholder of record or the spouse of the member or stockholder unless the association has been notified otherwise in writing.

A municipal may elect to become subject to rate regulation by the commission pursuant to this section. The election shall be (a) approved by resolution of the governing body of the municipality; or (b) approved by a majority of the customers of the municipal voting by mail ballot initiated by petition of no fewer than 20 percent of the customers of the municipal. The ballot to be used for the election shall be approved by the governing body of the municipality and the department of public service. The department shall mail the ballots to the municipal's customers who shall return the ballots to the department. The department will keep the ballots sealed until a date agreed upon by the department and the governing body of the municipality. On this date, representatives of the department and the municipal shall count the ballots. If a majority of the customers of the municipal who vote elect to become subject to rate regulation by the commission, the election shall be effective 30 days after the date the ballots are counted. For purposes of this section, the term "customer" shall mean either the person in whose name the telephone service is registered or the spouse of the person unless the municipal utility has been notified otherwise in writing.

An independent telephone company may elect to become subject to rate regulation by the commission pursuant to this section. The election shall be (a) approved by the board of directors of the company in accordance with the procedures for amending the articles of incorporation contained in sections 302A.133 to 302A.139, excluding the filing requirements; or (b) approved by a majority of subscribers voting by mail ballot initiated by petition of no fewer than five percent of the subscribers of the company. The ballot to be used for the election shall be approved by the board of directors and the department of public service. The department shall mail the ballots to the company's subscribers who shall return the ballots to the department. The department will keep the ballots sealed until a date agreed upon by the department and the board of directors. On this date, representatives of the department and the company shall count the ballots. If a majority of the company's subscribers who vote elect to become subject to rate regulation by the commission, the election shall be

New language is indicated by underline, deletions by ~~strikeout~~.

effective 30 days after the date the ballots are counted. For purposes of this section the term "subscriber" shall mean either the person in whose name the telephone service is registered or the spouse of the person unless the independent telephone company has been notified otherwise in writing.

Sec. 5. Minnesota Statutes 1988, section 273.124, subdivision 3, is amended to read:

Subd. 3. **COOPERATIVES AND CHARITABLE CORPORATIONS.** When one or more dwellings, or one or more buildings which each contain several dwelling units, are owned by a corporation or association organized under ~~sections 308.05 to 308.18~~ chapter 308A, and each person who owns a share or shares in the corporation or association is entitled to occupy a dwelling, or dwelling unit in the building, the corporation or association may claim homestead treatment for each dwelling, or for each unit in case of a building containing several dwelling units, for the dwelling or for the part of the value of the building occupied by a shareholder. Each dwelling or unit must be designated by legal description or number, and the gross tax capacity of each dwelling that qualifies for assessment under this subdivision must include not more than one-half acre of land, if platted, nor more than 80 acres if unplatted. The gross tax capacity of the building or buildings containing several dwelling units is the sum of the gross tax capacities of each of the respective units comprising the building. To qualify for the treatment provided by this subdivision, the corporation or association must be wholly owned by persons having a right to occupy a dwelling or dwelling unit owned by the corporation or association. A charitable corporation organized under the laws of Minnesota and not otherwise exempt thereunder with no outstanding stock qualifies for homestead treatment with respect to member residents of the dwelling units who have purchased and hold residential participation warrants entitling them to occupy the units.

Sec. 6. Minnesota Statutes 1988, section 273.124, subdivision 6, is amended to read:

Subd. 6. **LEASEHOLD COOPERATIVES.** When one or more dwellings or one or more buildings which each contain several dwelling units is owned by a nonprofit corporation subject to the provisions of chapter 317 or a limited partnership which corporation or partnership operates the property in conjunction with a cooperative association, homestead treatment may be claimed by the cooperative association on behalf of the members of the cooperative for each dwelling unit occupied by a member of the cooperative. The cooperative association must provide the assessor with the social security numbers of those members. To qualify for the treatment provided by this subdivision, the following conditions must be met: (a) the cooperative association must be organized under ~~sections 308.05 to 308.18~~ chapter 308A; (b) the cooperative association must have a lease for occupancy of the property for a term of at least 20 years; (c) to the extent permitted under state or federal law, the cooperative association must have a right under a written agreement with the owner to purchase the property if the owner proposes to sell it; if the cooperative association does not

New language is indicated by underline, deletions by ~~strikeout~~.

purchase the property when it is offered for sale, the owner may not subsequently sell the property to another purchaser at a price lower than the price at which it was offered for sale to the cooperative association unless the cooperative association approves the sale; and (d) if a limited partnership owns the property, it must include as the managing general partner either the cooperative association or a nonprofit organization operating under the provisions of chapter 317. Homestead treatment must be afforded to units occupied by members of the cooperative association and the units must be assessed as provided in subdivision 3, provided that any unit not so occupied shall be classified and assessed pursuant to the appropriate class. No more than three acres of land may, for assessment purposes, be included with each dwelling unit that qualifies for homestead treatment under this subdivision.

Sec. 7. Minnesota Statutes 1988, section 273.132, subdivision 5, is amended to read:

Subd. 5. **APPROPRIATION.** The amount necessary to make the payments required under this section is appropriated from the general fund in the state treasury to the commissioners of revenue and education for property taxes payable in 1989.

Sec. 8. Minnesota Statutes 1988, section 363.01, subdivision 32, is amended to read:

Subd. 32. **COOPERATIVE APARTMENT CORPORATION.** "Cooperative apartment corporation" means a corporation or association organized under ~~sections 308.05 to 308.18~~ chapter 308A or chapter 317, the shareholders or members of which are entitled, solely by reason of their ownership of stock or membership certificates in the corporation or association, to occupy one or more residential units in a building owned or leased by the corporation or association.

Sec. 9. Minnesota Statutes 1988, section 500.20, subdivision 2a, is amended to read:

Subd. 2a. **RESTRICTION OF DURATION OF CONDITION.** Except for any right to reenter or to repossess as provided in subdivision 3, all private covenants, conditions, or restrictions created by which the title or use of real property is affected, cease to be valid and operative 30 years after the date of the deed, or other instrument, or the date of the probate of the will, creating them, and may be disregarded.

This subdivision does not apply to covenants, conditions, or restrictions:

(1) that were created before August 1, 1988, by deed or other instrument dated on or after August 1, 1982, or by will the date of death of the testator of which was on or after August 1, 1982;

(2) that were created before August 1, 1959, under which a person who owns or has an interest in real property against which the covenants, conditions,

New language is indicated by underline, deletions by ~~strikeout~~.

or restrictions have been filed claims a benefit of the covenant, condition, or restriction if the person records in the office of the county recorder or files in the office of the registrar of titles in the county in which the real estate affected is located, on or before March 30, 1989, a notice sworn to by the claimant or the claimant's agent or attorney: setting forth the name of the claimant; describing the real estate affected; describing the deed, instrument, or will creating the covenant, condition, or restriction; and stating that the covenant, condition, or restriction is not nominal and may not be disregarded under subdivision 1;

(3) that are created by the declaration, bylaws, floor plans, or condominium plat of a condominium created before August 1, 1980, under sections 515.01 to 515.29 or created on or after August 1, 1980, under sections 515A.1-101 to 515A.4-117, or by any amendments of the declaration, bylaws, floor plans, or condominium plat;

(4) that are created by the articles of incorporation, bylaws, or proprietary leases of a cooperative association formed under ~~sections 308.05 to 308.18~~ chapter 308A;

(5) that are created by a declaration or other instrument that authorizes and empowers a corporation of which the qualification for being a stockholder or member is ownership of certain parcels of real estate, to hold title to common real estate for the benefit of the parcels;

(6) that are created by a deed, declaration, reservation, or other instrument by which one or more portions of a building, set of connecting or adjacent buildings, or complex or project of related buildings and structures share support, structural components, ingress and egress, or utility access with another portion or portions; or

(7) that were created after July 31, 1959, and before August 1, 1982, under which a person who owns or has an interest in real estate against which covenants, conditions, or restrictions have been filed claims a benefit of the covenants, conditions, or restrictions if the person records in the office of the county recorder or files in the office of the registrar of titles in the county in which the real estate affected is located during the period commencing on the 28th anniversary of the date of the deed or instrument, or the date of the probate of the will, creating them and ending on the 30th anniversary, a notice as described in clause (2).

A notice filed in accordance with clause (2) or (7) delays application of this subdivision to the covenants, conditions, or restrictions for a period ending on the later of seven years after the date of filing of the notice, or until final judgment is entered in an action to determine the validity of the covenants, conditions, or restrictions, provided in the case of an action the summons and complaint must be served and a notice of lis pendens must be recorded in the office of the county recorder or filed in the office of the registrar of titles in each county in which the real estate affected is located within seven years after the date of recording or filing of the notice under clause (2) or (7).

New language is indicated by underline, deletions by ~~strikeout~~.

County recorders and registrars of titles shall accept for recording or filing a notice conforming with this subdivision and charge a fee corresponding with the fee charged for filing a notice of lis pendens of similar length. The notice may be discharged in the same manner as a notice of lis pendens and when discharged, together with the information included with it, ceases to constitute either actual or constructive notice.

ARTICLE 3

AMENDMENTS TO ARTICLE 1

Section 1. Article 1 is amended by adding a section to read:

Sec. 3a. [308A.015] RESERVATION OF RIGHT.

The state reserves the right to amend or repeal the provisions of this chapter by law. A cooperative incorporated or governed by this chapter is subject to this reserved right. [308.81, 302A.041]

Sec. 2. Article 1 is amended by adding a section to read:

Sec. 4a. [308A.025] REGISTERED OFFICE.

Subdivision 1. REGISTERED OFFICE. A cooperative must continuously maintain a registered office in this state. A registered office need not be the same as the principal place of business of the cooperative. [302A.121 s. 1]

Subd. 2. REGISTERED AGENT. A cooperative may designate a registered agent. The registered agent may be a natural person residing in this state, a domestic corporation, or a foreign corporation authorized to transact business in this state. The registered agent must maintain an office that is identical with the registered office. [302A.121 s. 2]

Subd. 3. DESIGNATION OR CHANGE OF REGISTERED OFFICE OR REGISTERED AGENT. A cooperative may designate or change its registered office, designate or change its registered agent, or state a change in the name of its registered agent, by filing a statement with the secretary of state containing:

- (1) the name of the cooperative;
- (2) the new address of the cooperative's registered office;
- (3) the name of the cooperative's registered agent, if any;
- (4) a statement that the address of its registered office and the address of the office of its registered agent, as changed, will be identical; and
- (5) a statement that the change of registered office or registered agent was

New language is indicated by underline, deletions by ~~strikeout~~.

authorized by a resolution approved by the affirmative vote of a majority of the board. [302A.123 s. 1]

Subd. 4. RESIGNATION OF AGENT. A registered agent of a cooperative may resign by filing with the secretary of state a signed written notice of resignation, including a statement that a signed copy of the notice has been given to the cooperative at its principal place of business or to a legal representative of the cooperative. The appointment of the agent terminates 30 days after the notice is filed with the secretary of state. [302A.123 s. 2]

Subd. 5. CHANGE OF ADDRESS OR NAME OF AGENT. If the address or name of a registered agent changes, the agent must change the address of the registered office or the name of the registered agent of the cooperative represented by the agent by filing with the secretary of state the statement required in subdivision 3, except that the statement need only be signed by the registered agent, need not be responsive to subdivision 3, clause (5), but must state that a copy of the statement has been mailed to the cooperative or to the legal representative of the cooperative. [302A.123 s. 3]

Sec. 3. Article 1, section 10, subdivision 2, is amended to read:

Subd. 2. FILING ARTICLES. (a) The original articles must be filed with the secretary of state and a copy filed in the office of the county recorder of the county where the principal place of business of the cooperative is located.

(b) The fee for filing the articles with the secretary of state is \$60. [308.06 s. 4]

Sec. 4. Article 1, section 10, is amended by adding a subdivision to read:

Subd. 3. PRESUMPTION IN FILING ARTICLES. (a) When the articles of incorporation have been filed with the secretary of state and the required fee has been paid to the secretary of state, it is presumed that:

(1) all conditions precedent that are required to be performed by the incorporators have been complied with;

(2) the cooperative has been incorporated; and

(3) the secretary of state shall issue a certificate of incorporation to the cooperative. [302A.155]

Sec. 5. Article 1, section 11, is amended to read:

Sec. 11. [308A.135] AMENDMENT OF ARTICLES.

Subdivision 1. PROCEDURE. (a) The articles of a cooperative must be amended as provided in this subdivision.

(b) The board by majority vote must pass a resolution stating the text of the proposed amendment. The text of the proposed amendment and an attached

New language is indicated by underline, deletions by ~~strikeout~~.

mail ballot, if the board has provided for a mail ballot in the resolution, must be mailed with a regular or special meeting notice to each member. The notice must designate the time and place of the meeting for the proposed amendment to be considered and voted on. A cooperative with more than 200 members may publish the notice, proposed amendment, and ballot in the manner provided for a regular meeting notice.

(c) If a quorum of the members is registered as being present or represented by mail vote at the meeting, the proposed amendment is adopted:

(1) if approved by a majority of the votes cast; or

(2) for a cooperative with articles or bylaws requiring more than majority approval or other conditions for approval, the amendment is approved by a proportion of the votes cast or a number of total members as required by the articles or bylaws and the conditions for approval in the articles or bylaws have been satisfied. [308.15 s. 1]

(d) Subd. 2. FILING. After an amendment has been adopted by the members, a certificate stating the amendment and the manner of adoption shall must be signed by the chair, vice chair, president, vice president, secretary, or assistant secretary, and a copy of the amendment filed in the office of the secretary of state and the office of the county recorder of the county where the cooperative's principal place of business is located. [308.15 s. 1]

Subd. 3. CERTIFICATE. (a) A certificate must be prepared stating:

(1) the vote and meeting of the board adopting a resolution of the proposed amendment;

(2) the notice given to members of the meeting that the amendment was adopted;

(3) the quorum registered at the meeting; and

(4) the vote cast adopting the amendment.

(b) The certificate must be signed by the chair, vice chair, president, vice president, secretary, or assistant secretary and filed with the records of the cooperative.

Subd. 4. AMENDMENT BY BOARD. A majority of directors may amend the articles if the cooperative does not have any members or stockholders with voting rights. [302A.133]

Sec. 6. Article 1, section 13, subdivision 1, is amended to read:

Subdivision 1. **AMENDMENT OF ARTICLES.** An association or corporation organized defectively under other law of this state that has conducted its business upon the cooperative plan and has in good faith carried on and trans-

New language is indicated by underline, deletions by ~~strikeout~~.

acted business, may amend its articles of incorporation in their entirety to be governed by this chapter. The articles of amendment shall be filed with the secretary of state and a copy of the articles recorded in the office of the county recorder of the county where the principal place of business of the corporation or association is located. [308.36 s. 1]

Sec. 7. Article 1, section 15, subdivision 1, is amended to read:

Subdivision 1. COMMENCEMENT OF BUSINESS CORPORATE EXISTENCE. A cooperative may commence business when ten percent of the authorized capital stock has been subscribed and paid in. The corporate existence of a cooperative begins when the articles are filed with the secretary of state. [302A.153]

Sec. 8. Article 1 is amended by adding a section to read:

Sec. 15a. [308A.161] COMMENCEMENT OF BUSINESS.

A cooperative may commence business when ten percent of the authorized capital stock has been subscribed and paid in. [308.07 s. 2]

Sec. 9. Article 1 is amended by adding a section to read:

Sec. 16a. [308A.165] BYLAWS.

Subdivision 1. GENERAL PROVISIONS. A cooperative may, but need not, have bylaws. [302A.181]

Subd. 2. ADOPTION AND AMENDMENT. The bylaws of a cooperative may be adopted or amended at a regular or special members' meeting if:

(1) the notice of the meeting contains a summary statement of the proposed bylaws or amendment;

(2) a quorum is registered as being present or represented by mail vote if authorized by the board; and

(3) the bylaws or amendment is approved by a majority of the votes cast, or for a cooperative with articles or bylaws requiring more than majority approval or other conditions for approval, the bylaws or amendment is approved by a proportion of the votes cast or a number of the total members as required by the articles or bylaws and the conditions for approval in the articles or bylaws have been satisfied. [308.15 s. 2]

Subd. 3. CONTENTS. Bylaws may contain any provision relating to the management or regulation of the affairs of the cooperative that are not inconsistent with law or the articles, including:

(1) the number of directors, and the qualifications, manner of election, powers, duties, and compensation, if any, of directors;

(2) the qualifications of members, stockholders, and patrons and limitations on their number;

New language is indicated by underline, deletions by ~~strikeout~~.

(3) the manner of admission, withdrawal, suspensions, and expulsion of members;

(4) property, voting, and other rights and privileges of members;

(5) the appointment and authority of committees;

(6) the appointment or election, duties, compensation, and tenure of officers;

(7) the time, place, and manner of calling, conducting, and giving notice of member, board, and committee meetings, or of conducting mail ballots; and

(8) the making of reports and financial statements to members.

Sec. 10. Article 1, section 17, subdivision 9, is amended to read:

Subd. 9. **LENDING AND BORROWING MONEY.** A cooperative may loan or borrow money to or from individual members, cooperatives, or associations from which it is constituted with security that it considers sufficient in dealing with the ~~member members~~, cooperatives, or associations. [308.05 s. 2]

Sec. 11. Article 1, section 17, subdivision 10, is amended to read:

Subd. 10. **ACQUISITION AND DISPOSAL OF STOCK.** (a) A cooperative may purchase, acquire, hold, or dispose of the stock of another association or corporation, whether incorporated under the laws of this state or another state, and assume all rights, interests, privileges, responsibilities, and obligations arising out of the ownership of the stock ~~after approval by the board to allow the cooperative to join with other cooperatives and associations in this state and other states; to form district, state, or national organizations or market agencies.~~ [308.05 s. 1]

(b) A cooperative may acquire and hold stock in another corporation organized under the law of this state or another state of the United States, including a corporation organized:

(1) as a federation of associations;

(2) for the purpose of forming a district, state, or national marketing, sales, or service agency; or

(3) for the purpose of acquiring marketing facilities at terminal or other markets in this state or other states. [308.07 s. 3]

(c) A cooperative may purchase, own, and hold shares of capital stock, memberships, interests in nonstock capital, evidences of indebtedness of any domestic or foreign corporation when reasonably necessary or incidental to accomplish the purposes stated in the articles. [308.37]

Sec. 12. Article 1, section 17, subdivision 11, is amended to read:

New language is indicated by underline, deletions by ~~strikeout~~.

Subd. 11. **FIDUCIARY POWERS.** (a) A cooperative may exercise any and all fiduciary powers in relations with members, cooperatives, or associations from which it is constituted. [308.05 s. 2]

(b) A cooperative may take, receive, and hold real and personal property, including the principal and interest of money or other funds and rights in a contract, in trust for any purpose not inconsistent with the purposes of the cooperative in its articles, and may exercise fiduciary powers in relation to taking, receiving, and holding the real and personal property.

Sec. 13. Article 1, section 18, subdivision 2, is amended to read:

Subd. 2. **TITLE TO PRODUCTS.** If a sale is contracted to the cooperative, the sale transfers title to the products absolutely, except for recorded liens and security interest, to the cooperative on delivery of the products or at another specified time if expressly provided in the contract. The contract may allow the cooperative to sell or resell the products of its members, or patrons, with or without taking title to the product, and pay the resale price to the patron, after deducting all necessary selling, overhead, and other costs and expenses, including other proper reserves, and interest not exceeding eight percent per annum on common stock. [308.68]

Sec. 14. Article 1, section 18, subdivision 4, is amended to read:

Subd. 4. **DAMAGES FOR BREACH OF CONTRACT.** The bylaws or the marketing contract may set specific sums, as liquidated damages to be paid by the member or patron to the cooperative for breach of any provisions of the marketing contract regarding the sale or delivery or withholding of products including and may provide that the member or patron will pay the costs, premiums for bonds, expenses, and fees if an action is brought on the contract by the cooperative. The remedies for breach of contract are valid and enforceable in the courts of this state. The provisions shall be enforced as liquidated damages and are not to be considered or regarded as a penalty. [308.05 s. 4, 308.69]

Sec. 15. Article 1, section 21, subdivision 4, is amended to read:

Subd. 4. **VOTE BY MAIL.** (a) A member may not vote by mail for a director unless mail voting is authorized for election of directors by the articles or bylaws.

(b) The ballot shall be in a form prescribed by the board.

(c) The member shall mark the ballot for the candidate chosen and mail the ballot to the cooperative in a sealed plain envelope inside another envelope bearing the ~~shareholder's~~ member's name.

(d) If the ballot of the member is received by the cooperative on or before the date of the regular members' meeting, the ballot shall be accepted and counted as the vote of the absent member. [308.071 s. 2]

New language is indicated by underline, deletions by ~~strikeout~~.

Sec. 16. Article 1 is amended by adding a section to read:

Sec. 22a. **[308A.315] FILLING VACANCIES.**

If a director's position is vacant, the board may appoint a member of the cooperative to fill the director's position until the next regular or special members' meeting. At the next regular or special members' meeting, the members must elect a director to fill the unexpired term of the vacant director's position. [302A.225]

Sec. 17. Article 1 is amended by adding a section to read:

Sec. 22b. **[308A.321] REMOVAL OF DIRECTORS.**

Members may remove a director at a members' meeting for cause related to the duties of the position of director and fill the vacancy caused by the removal. [308.11]

Sec. 18. Article 1, section 24, subdivision 5, is amended to read:

Subd. 5. **REMOVAL OF OFFICERS.** Members may remove an officer at a members' meeting for cause related to the duties of the position of the officer and fill the vacancy caused by the removal. [308.11]

Sec. 19. Article 1, section 28, is amended to read:

Sec. 28. **[308A.605] MEMBER AND STOCKHOLDER VIOLATIONS.**

Subdivision 1. STOCKHOLDER VIOLATIONS. (a) A stockholder who knowingly, intentionally, or repeatedly violates a provision of the bylaws may be required by the board to surrender stock of any class owned by the stockholder.

(b) The cooperative shall refund to the stockholder for the surrendered stock the lesser of the par value or the book value of the stock.

(c) Stock required to be surrendered shall be retired and canceled by the board. [308.07 s. 9]

Subd. 2. MEMBER VIOLATIONS. A member who knowingly, intentionally, or repeatedly violates a provision of the bylaws may be required by the board to surrender membership in the cooperative.

Sec. 20. Article 1, section 29, subdivision 2, is amended to read:

Subd. 2. **LOCATION.** The regular members' meeting shall be held at the principal place of business of the cooperative, or at another ~~place~~ conveniently located within the area served by the cooperative place as determined by the bylaws or the board. A cooperative constituted entirely or partially of other cooperatives or associations organized under the laws of another state, or doing business in another state, may hold regular members' meetings at a place within or outside of the state, as designated in the notice of the meeting. [308.09 s. 1]

New language is indicated by underline, deletions by ~~strikeout~~.

Sec. 21. Article 1, section 30, subdivision 2, is amended to read:

Subd. 2. **NOTICE.** (a) The chair or president shall give notice of a special members' meeting by:

(1) publication in a legal newspaper published in the county of the principal place of business of the cooperative;

(2) publication in a magazine, periodical, or other publication of the cooperative that is regularly published by or on behalf of the cooperative and circulated generally among members; or

(3) mailing the special members' meeting notice to each member personally at the person's last known post office address, which for a member cooperative means notice mailed to the secretary of the cooperative.

(b) The special members' meeting notice shall state the time, place, and purpose of the special members' meeting.

(c) The special members' meeting notice shall be issued within ten days from and after the date of the presentation of a members' petition, and the special members' meeting must be held by 30 days after the date of the presentation of the members' petition. [308.09 s. 2]

Sec. 22. Article 1, section 31, is amended to read:

Sec. 31. [308A.621] **CERTIFICATION OF MAILED MEETING NOTICE.**

(a) After mailing special or regular members' meeting notices, the secretary shall execute a certificate containing:

(1) a correct copy of the mailed or published notice;

(2) the date of mailing or publishing the notice; and

(3) a statement that the special or regular members' meeting notices were mailed or published as prescribed by this section.

(b) The certificate shall be made a part of the record of the meeting. [308.09 s. 2]

Sec. 23. Article 1, section 34, subdivision 4, is amended to read:

Subd. 4. **VOTING METHOD.** A member's vote at a members' meeting must be in person or by mail if a mail vote is authorized by the board, and not by proxy; except as provided in subdivisions 2 and 5. [308.07 s. 3]

Sec. 24. Article 1, section 34, subdivision 6, is amended to read:

Subd. 6. **ABSENTEE BALLOTS.** (a) A member who is absent from a members' meeting may vote by mail on the ballot prescribed in this subdivision on any motion, resolution, or amendment that the board submits for vote by mail to the members.

New language is indicated by underline, deletions by ~~strikeout~~.

(b) The ballot shall be in the form prescribed by the board and contain:

(1) the exact text of the proposed motion, resolution, or amendment to be acted on at the meeting; and

(2) spaces opposite the text of the motion, resolution, or amendment in which the member may indicate an affirmative or negative vote.

(c) The member shall express a choice by marking an "X" in the appropriate space on the ballot. The ballot must be signed by the member.

(d) A properly executed ballot shall be accepted by the board and counted as the vote of the absent member at the meeting. [308.07 s. 10]

Sec. 25. Article 1, section 38, subdivision 4, is amended to read:

Subd. 4. **FORM OF DISTRIBUTION.** A cooperative may distribute net income in cash, capital stock credits, allocated patronage equities, revolving fund certificates, or its own or other securities. [308.12 s. 4]

Sec. 26. Article 1, section 40, subdivision 2, is amended to read:

Subd. 2. **PLAN.** To initiate a merger or consolidation, a written plan of merger or consolidation must be prepared by the board or by a committee selected by the board or the members to prepare a plan. The plan must state:

(1) the names of the constituent cooperatives or associations;

(2) the name of the surviving or new cooperative or association;

(3) the manner and basis of converting stock or membership of the constituent cooperatives or associations into stock or membership in the surviving or new cooperative or association;

(4) the terms of the merger or consolidation;

~~(2)~~ (5) the proposed effect of the consolidation or merger on the members of the cooperative; and

~~(3)~~ (6) for a consolidation, the plan must contain the articles of the new association. [308.15 s. 4]

Sec. 27. Article 1, section 40, subdivision 4, is amended to read:

Subd. 4. **ADOPTION OF PLAN.** (a) A plan of merger or consolidation is adopted if:

(1) a quorum of the members is registered as being present or represented by mail vote at the meeting; and

(2) the plan is approved by two-thirds of the votes cast, or for a cooperative with articles or bylaws requiring more than two-thirds of the votes cast or other conditions for approval, the plan is approved by a proportion of the votes cast or a number of total members as required by the articles or bylaws and the conditions for approval in the articles or bylaws have been satisfied.

New language is indicated by underline, deletions by ~~strikeout~~.

(b) After the plan has been adopted, articles of merger or consolidation stating the plan and ~~the manner of adoption of that~~ the plan was adopted according to this chapter shall be signed by the chair, vice chair, president, vice president, secretary, or assistant secretary of each cooperative or association merging or consolidating.

(c) ~~The plan~~ articles of merger or consolidation shall be ~~approved by the attorney general~~ filed in the office of the secretary of state.

(d) For a merger, the articles of the surviving cooperative or association are deemed amended to the extent provided in the articles of merger or consolidation shall be filed in the office of the secretary of state and reported in the office of the county recorder of each county where each merging or consolidating cooperative or association has a principal place of business.

(e) For a merger, the articles of the surviving cooperative or association are deemed amended to the extent provided in the articles of merger. Unless a later date is provided in the plan, the merger or consolidation is effective when the articles of merger or consolidation are filed in the office of the secretary of state. [308.15 s. 4]

(f) Unless otherwise provided in the plan, the merger or consolidation is effective when the articles of merger or consolidation are filed in the office of The secretary of state shall issue a certificate of the merged or consolidated cooperative or association.

Sec. 28. Article 1, section 40, subdivision 6, is amended to read:

Subd. 6. **FILING FEE.** The fee to be paid to the secretary of state for filing articles of merger or consolidation is \$50. [308.06 s. 4]

Sec. 29. Article 1, section 41, subdivision 2, is amended to read:

Subd. 2. **RESOLUTION AT MEMBERS' MEETING.** The members may authorize a liquidation by adopting a resolution at a members' meeting. The notice of the members' meeting must include a statement that the disposition of the property of the cooperative will be considered at the meeting. If a quorum is present in person or by mail ballot at the members' meeting, the resolution approving of the liquidation is adopted if:

(1) approved by two-thirds of the votes cast; unless the; or

(2) for a cooperative with articles or bylaws of the cooperative require a greater requiring more than two-thirds for approval or other conditions for approval, the resolution is approved by the proportion of the votes cast or a number of the total number of members with voting rights to approve liquidation as required by the articles or bylaws and the conditions for approval in the articles or bylaws have been satisfied. [308.05 s. 6]

Sec. 30. Article 1 is amended by adding a section to read:

New language is indicated by underline, deletions by ~~strikeout~~.

Sec. 42a. [308A.905] METHODS OF DISSOLUTION.

A cooperative may be dissolved by the members or by order of the court.
[302A.701]

Sec. 31. Article 1 is amended by adding a section to read:

Sec. 43a. [308A.911] VOLUNTARY DISSOLUTION BY MEMBERS.

Subdivision 1. MEETING TO CONSIDER DISSOLUTION. A regular or a special members' meeting may be called to consider dissolution of a cooperative. [302A.721 s. 1, 2]

Subd. 2. APPROVAL. The proposed dissolution must be submitted for approval at the members' meeting. The dissolution must be started if a quorum is present and the proposed dissolution is approved at a meeting by two-thirds of the votes cast, or for a cooperative with articles or bylaws requiring a greater proportion of the votes cast or other conditions for approval, the dissolution is approved by the proportion of votes cast or the number of total members required by the articles or bylaws and the conditions for approval in the articles or bylaws are satisfied. [302A.721 s. 1, 2]

Subd. 3. REVOCATION OF DISSOLUTION. The members retain the right to revoke the dissolution proceedings and the right to remove directors and fill vacancies on the board. [302A.723 s. 2]

Subd. 4. NOTICE OF INTENT TO DISSOLVE. Before a cooperative begins dissolution, a notice of intent to dissolve must be filed with the secretary of state. The notice must contain:

- (1) the name of the cooperative;
- (2) the date and place of the members' meeting at which the resolution was approved; and
- (3) a statement that the requisite vote of the members approved the proposed dissolution. [302A.723 s. 1]

Subd. 5. BUSINESS AFTER DISSOLUTION BEGINS. After the notice of intent to dissolve has been filed with the secretary of state, the cooperative may carry on its business only to the extent necessary for the winding up of the cooperative unless the members revoke the dissolution proceedings. The existence of the cooperative continues to the extent necessary to wind up the affairs of the cooperative until the dissolution proceedings are revoked or articles of dissolution are filed with the secretary of state. [302A.723 s. 2.]

Subd. 6. REMEDIES CONTINUED. The filing with the secretary of state of a notice of intent to dissolve does not affect a remedy in favor of the cooperative or a remedy against the cooperative or its directors, officers, or members in their capacities, except as provided in section 57. [302A.723 s. 3]

New language is indicated by underline, deletions by ~~strikeout~~.

Sec. 32. Article 1 is amended by adding a section to read:

Sec. 44a. **[308A.915] WINDING UP.**

Subdivision 1. COLLECTION AND PAYMENT OF DEBTS. After the notice of intent to dissolve has been filed with the secretary of state, the board, or the officers acting under the direction of the board, shall proceed as soon as possible:

(1) to collect or make provision for the collection of all debts due or owing to the cooperative, including unpaid subscriptions for shares; and

(2) to pay or make provision for the payment of all debts, obligations, and liabilities of the cooperative according to their priorities. [302A.725 s. 1]

Subd. 2. TRANSFER OF ASSETS. After the notice of intent to dissolve has been filed with the secretary of state, the board may sell, lease, transfer, or otherwise dispose of all or substantially all of the property and assets of the dissolving cooperative without a vote of the members. [302A.725 s. 2]

Subd. 3. DISTRIBUTION TO MEMBERS. Tangible and intangible property, including money, remaining after the discharge of the debts, obligations, and liabilities of the cooperative or association may be distributed to the members and former members as provided in the bylaws. If previously authorized by the members, the tangible and intangible property of the cooperative may be liquidated and disposed of at the discretion of the board. [302A.725 s. 3]

Sec. 33. Article 1 is amended by adding a section to read:

Sec. 45. **[308A.921] REVOCATION OF DISSOLUTION PROCEEDINGS.**

Subdivision 1. AUTHORITY TO REVOKE. Dissolution proceedings may be revoked before the articles of dissolution are filed with the secretary of state. [302A.731 s. 1]

Subd. 2. REVOCATION BY MEMBERS. The chair or president may call a members' meeting to consider the advisability of revoking the dissolution proceedings. The question of the proposed revocation must be submitted to the members at the members' meeting called to consider the revocation. The dissolution proceedings are revoked if the proposed revocation is approved at the members' meeting by a majority of the members of the cooperative, or for a cooperative with articles or bylaws requiring a greater number of members, the number of members required by the articles or bylaws. [302A.731 s. 2]

Subd. 3. FILING WITH SECRETARY OF STATE. Revocation of dissolution proceedings is effective when a notice of revocation is filed with the secretary of state. After the notice is filed, the cooperative may resume business.

Sec. 34. Article 1 is amended by adding a section to read:

New language is indicated by underline, deletions by ~~strikeout~~.

Sec. 46. [308A.925] STATUTE OF LIMITATIONS.

The claim of a creditor or claimant against a dissolving cooperative is barred if the claim has not been enforced by initiating legal, administrative, or arbitration proceedings concerning the claim by two years after the date the notice of intent to dissolve is filed with the secretary of state, subject to the provisions of section 57.

Sec. 35. Article 1 is amended by adding a section to read:

Sec. 47. [308A.931] ARTICLES OF DISSOLUTION.

Subdivision 1. CONDITIONS TO FILE. Articles of dissolution of a cooperative shall be filed with the secretary of state after payment of the claims of all known creditors and claimants has been made or provided for and the remaining property has been distributed by the board.

Subd. 2. CONTENTS OF ARTICLES. The articles of dissolution must state:

(1) that all debts, obligations, and liabilities of the cooperative have been paid or discharged or adequate provisions have been made for them or time periods under section 45 have run and other claims are not outstanding;

(2) that the remaining property, assets, and claims of the cooperative have been distributed among the members or pursuant to a liquidation authorized by the members; and

(3) that legal, administrative, or arbitration proceedings by or against the cooperative are not pending or adequate provision has been made for the satisfaction of a judgment, order, or decree that may be entered against the cooperative in a pending proceeding.

Subd. 3. DISSOLUTION EFFECTIVE ON FILING. The cooperative is dissolved when the articles of dissolution have been filed with the secretary of state. [302A.733 s. 3]

Subd. 4. CERTIFICATE. The secretary of state shall issue to the dissolved cooperative or its legal representative a certificate of dissolution that contains:

(1) the name of the dissolved cooperative;

(2) the date the articles of dissolution were filed with the secretary of state; and

(3) a statement that the cooperative is dissolved. [302A.733 s. 4]

Sec. 36. Article 1 is amended by adding a section to read:

Sec. 48. [308A.935] APPLICATION FOR COURT-SUPERVISED VOLUNTARY DISSOLUTION.

New language is indicated by underline, deletions by ~~strikeout~~.

After a notice of intent to dissolve has been filed with the secretary of state and before a certificate of dissolution has been issued, the cooperative or, for good cause shown, a member or creditor may apply to a court within the county where the registered office is located to have the dissolution conducted or continued under the supervision of the court as provided in section 50. [302A.741]

Sec. 37. Article 1 is amended by adding a section to read:

Sec. 49. **[308A.941] COURT-ORDERED REMEDIES OR DISSOLUTION.**

Subdivision 1. CONDITIONS FOR RELIEF. A court may grant equitable relief that it deems just and reasonable in the circumstances or may dissolve a cooperative and liquidate its assets and business:

(1) in a supervised voluntary dissolution that is applied for by the cooperative;

(2) in an action by a member when it is established that:

(i) the directors or the persons having the authority otherwise vested in the board are deadlocked in the management of the cooperative's affairs and the shareholders or members are unable to break the deadlock;

(ii) the directors or those in control of the cooperative have acted fraudulently, illegally, or in a manner unfairly prejudicial toward one or more members in their capacities as members, directors, or officers;

(iii) the members of the cooperative are so divided in voting power that, for a period that includes the time when two consecutive regular members' meetings were held, they have failed to elect successors to directors whose terms have expired or would have expired upon the election and qualification of their successors;

(iv) the cooperative assets are being misapplied or wasted; or

(v) the period of duration as provided in the articles has expired and has not been extended as provided in this chapter;

(3) in an action by a creditor when:

(i) the claim of the creditor against the cooperative has been reduced to judgment and an execution on the judgment has been returned unsatisfied; or

(ii) the cooperative has admitted in writing that the claim of the creditor against the cooperative is due and owing and it is established that the cooperative is unable to pay its debts in the ordinary course of business; or

(4) in an action by the attorney general to dissolve the cooperative in accordance with this chapter when it is established that a decree of dissolution is appropriate. [302A.751 s. 1]

New language is indicated by underline, deletions by ~~strikeout~~.

Subd. 2. CONDITION OF COOPERATIVE OR ASSOCIATION. In determining whether to order equitable relief or dissolution, the court shall take into consideration the financial condition of the cooperative but may not refuse to order equitable relief or dissolution solely on the ground that the cooperative has accumulated operating net income or current operating net income. [302A.751 s. 3]

Subd. 3. DISSOLUTION AS REMEDY. In deciding whether to order dissolution of the cooperative, the court must consider whether lesser relief suggested by one or more parties, such as a form of equitable relief or a partial liquidation, would be adequate to permanently relieve the circumstances established under subdivision 1, clause (2) or (3). Lesser relief may be ordered if it would be appropriate under the facts and circumstances of the case. [302A.751 s. 3b]

Subd. 4. EXPENSES. If the court finds that a party to a proceeding brought under this section has acted arbitrarily, vexatiously, or otherwise not in good faith, the court may in its discretion award reasonable expenses, including attorneys' fees and disbursements, to any of the other parties. [302A.751 s. 4]

Subd. 5. VENUE. Proceedings under this section shall be brought in a court within the county where the registered office of the cooperative is located. [302A.751]

Subd. 6. PARTIES. It is not necessary to make members parties to the action or proceeding unless relief is sought against them personally. [302A.751]

Sec. 38. Article 1 is amended by adding a section to read:

Sec. 50. [308A.945] **PROCEDURE IN INVOLUNTARY OR COURT-SUPERVISED VOLUNTARY DISSOLUTION.**

Subdivision 1. ACTION BEFORE HEARING. In dissolution proceedings before a hearing can be completed the court may:

- (1) issue injunctions;
- (2) appoint receivers with all powers and duties that the court directs;
- (3) take actions required to preserve the cooperative's assets wherever located; and
- (4) carry on the business of the cooperative. [302A.753 s. 1]

Subd. 2. ACTION AFTER HEARING. After a hearing is completed, on notice the court directs to be given to parties to the proceedings and to other parties in interest designated by the court, the court may appoint a receiver to collect the cooperative's assets, including amounts owing to the cooperative by subscribers on account of an unpaid portion of the consideration for the issuance of shares. A receiver has authority, subject to the order of the court, to

New language is indicated by underline, deletions by ~~strikeout~~.

continue the business of the cooperative and to sell, lease, transfer, or otherwise dispose of the property and assets of the cooperative either at public or private sale. [302A.753 s. 2]

Subd. 3. DISCHARGE OF OBLIGATIONS. The assets of the cooperative or the proceeds resulting from a sale, lease, transfer, or other disposition shall be applied in the following order of priority or:

(1) the costs and expenses of the proceedings, including attorneys' fees and disbursements;

(2) debts, taxes and assessments due the United States, the state of Minnesota and their subdivisions, and other states and their subdivisions, in that order;

(3) claims duly proved and allowed to employees under the provisions of the workers' compensation act except that claims under this clause may not be allowed if the cooperative has carried workers' compensation insurance, as provided by law, at the time the injury was sustained;

(4) claims, including the value of all compensation paid in a medium other than money, proved and allowed to employees for services performed within three months preceding the appointment of the receiver, if any; and

(5) other claims proved and allowed. [302A.753 s. 3]

Subd. 4. REMAINDER TO MEMBERS. After payment of the expenses of receivership and claims of creditors are proved, the remaining assets, if any, may be distributed to the members or distributed pursuant to an approved liquidation plan. [302A.753 s. 4]

Sec. 39. Article 1 is amended by adding a section to read:

Sec. 51. [308A.951] RECEIVER QUALIFICATIONS AND POWERS.

Subdivision 1. QUALIFICATIONS. A receiver must be a natural person or a domestic corporation or a foreign corporation authorized to transact business in this state. A receiver must give a bond as directed by the court with the sureties required by the court. [302A.755 s. 1]

Subd. 2. POWERS. A receiver may sue and defend in all courts as receiver of the cooperative. The court appointing the receiver has exclusive jurisdiction of the cooperative and its property. [302A.755 s. 2]

Sec. 40. Article 1 is amended by adding a section to read:

Sec. 52. [308A.955] DISSOLUTION ACTION BY ATTORNEY GENERAL.

Subdivision 1. CONDITIONS TO BEGIN ACTION. A cooperative may be dissolved involuntarily by a decree of a court in this state in an action filed by the attorney general if it is established that:

New language is indicated by underline, deletions by ~~strikeout~~.

(1) the articles and certificate of incorporation were procured through fraud;

(2) the cooperative was incorporated for a purpose not permitted by this chapter;

(3) the cooperative has flagrantly violated a provision of this chapter, has violated a provision of this chapter more than once, or has violated more than one provision of this chapter; or

(4) the cooperative has acted, or failed to act, in a manner that constitutes surrender or abandonment of the cooperative's franchise, privileges, or enterprise. [302A.757 s. 1]

Subd. 2. NOTICE TO COOPERATIVE. An action may not be commenced under this section until 30 days after notice to the cooperative by the attorney general of the reason for the filing of the action. If the reason for filing the action is an act that the cooperative has done, or omitted to do, and the act or omission may be corrected by an amendment of the articles or bylaws or by performance of or abstention from the act, the attorney general shall give the cooperative 30 additional days to make the correction before filing the action. [302A.757 s. 2]

Sec. 41. Article 1 is amended by adding a section to read:

Sec. 53. [308A.961] **FILING CLAIMS IN COURT-SUPERVISED DISSOLUTION PROCEEDINGS.**

Subdivision 1. FILING UNDER OATH. In proceedings to dissolve a cooperative, the court may require all creditors and claimants of the cooperative to file their claims under oath with the court administrator or with the receiver in a form prescribed by the court. [302A.759 s. 1]

Subd. 2. DATE TO FILE CLAIM. (a) If the court requires the filing of claims, the court shall:

(1) set a date, by order, at least 120 days after the date the order is filed, as the last day for the filing of claims; and

(2) prescribe the notice of the fixed date that shall be given to creditors and claimants.

(b) Before the fixed date, the court may extend the time for filing claims. Creditors and claimants failing to file claims on or before the fixed date may be barred, by order of court, from claiming an interest in or receiving payment out of the property or assets of the cooperative. [302A.759 s. 2]

Sec. 42. Article 1 is amended by adding a section to read:

Sec. 54. [308A.965] **DISCONTINUANCE OF COURT-SUPERVISED DISSOLUTION PROCEEDINGS.**

New language is indicated by underline, deletions by strikeout.

The involuntary or supervised voluntary dissolution of a cooperative may be discontinued at any time during the dissolution proceedings if it is established that cause for dissolution does not exist. The court shall dismiss the proceedings and direct the receiver, if any, to redeliver to the cooperative its remaining property and assets. [302A.761]

Sec. 43. Article 1 is amended by adding a section to read:

Sec. 55. **[308A.971] COURT-SUPERVISED DISSOLUTION ORDER.**

Subdivision 1. CONDITIONS FOR DISSOLUTION ORDER. In an involuntary or supervised voluntary dissolution after the costs and expenses of the proceedings and all debts, obligations, and liabilities of the cooperative have been paid or discharged and the remaining property and assets have been distributed to its members or, if its property and assets are not sufficient to satisfy and discharge the costs, expenses, debts, obligations, and liabilities, when all the property and assets have been applied so far as they will go to their payment according to their priorities, the court shall enter an order dissolving the cooperative. [302A.763 s. 1]

Subd. 2. DISSOLUTION EFFECTIVE ON FILING ORDER. When the order dissolving the cooperative or association has been entered, the cooperative or association is dissolved. [302A.763 s. 2]

Sec. 44. Article 1 is amended by adding a section to read:

Sec. 56. **[308A.975] FILING COURT'S DISSOLUTION ORDER.**

After the court enters an order dissolving a cooperative, the court administrator shall cause a certified copy of the dissolution order to be filed with the secretary of state. The secretary of state may not charge a fee for filing the dissolution order. [302A.765]

Sec. 45. Article 1 is amended by adding a section to read:

Sec. 57. **[308A.981] BARRING OF CLAIMS.**

Subdivision 1. CLAIMS BARRED. A person who is or becomes a creditor or claimant before, during, or following the conclusion of dissolution proceedings, who does not file a claim or pursue a remedy in a legal, administrative, or arbitration proceeding during the pendency of the dissolution proceeding, or has not initiated a legal, administrative, or arbitration proceeding before the commencement of the dissolution proceedings, and all those claiming through or under the creditor or claimant, are forever barred from suing on that claim or otherwise realizing upon or enforcing it, except as provided in this section. [302A.781 s. 1]

Subd. 2. CERTAIN UNFILED CLAIMS ALLOWED. By one year after articles of dissolution have been filed with the secretary of state pursuant to this chapter, or a dissolution order has been entered, a creditor or claimant who

New language is indicated by underline, deletions by ~~strikeout~~.

shows good cause for not having previously filed the claim may apply to a court in this state to allow a claim:

(1) against the cooperative to the extent of undistributed assets; or

(2) if the undistributed assets are not sufficient to satisfy the claim, the claim may be allowed against a member to the extent of the distributions to members in dissolution received by the member. [302A.781 s. 2]

Subd. 3. OMITTED CLAIMS ALLOWED. Debts, obligations, and liabilities incurred during dissolution proceedings must be paid or provided for by the cooperative before the distribution of assets to a member. A person to whom this kind of debt, obligation, or liability is owed but is not paid may pursue any remedy against the officers, directors, or members of the cooperative before the expiration of the applicable statute of limitations. This subdivision does not apply to dissolution under the supervision or order of a court. [302A.781 s. 3]

Sec. 46. Article 1 is amended by adding a section to read:

Sec. 58. [308A.985] **RIGHT TO SUE OR DEFEND AFTER DISSOLUTION.**

After a cooperative has been dissolved, any of its former officers, directors, or members may assert or defend, in the name of the cooperative, a claim by or against the cooperative. [302A.783]

Sec. 47. Article 1 is amended by adding a section to read:

Sec. 59. **COOPERATIVES ORGANIZED UNDER CHAPTER 308 SUBJECT TO THIS ACT.**

A cooperative organized under the general cooperative laws, Minnesota Statutes 1988, sections 308.05 to 308.18, or the agricultural marketing act, Minnesota Statutes 1988, sections 308.52 to 308.85, is deemed to be organized under and subject to this act and has the power to perform every act and thing necessary or proper to the conduct of the cooperative's business or the accomplishment of the purposes of the cooperative, and has other rights, powers, or privileges granted by the laws of this state to other corporations, except those that are inconsistent with the express provisions of this act.

Sec. 48. Article 1, section 44, is amended to read:

Sec. 44 60. **REPEALER.**

Minnesota Statutes 1988, sections 308.01; 308.02; 308.03; 308.05; 308.06; 308.061; 308.062; 308.07; 308.071; 308.08; 308.09; 308.10; 308.105; 308.11; 308.111; 308.12; 308.13; 308.14; 308.15; 308.16; 308.17; 308.18; 308.29; 308.30; 308.31; 308.32; 308.34; 308.341; 308.35; 308.36; 308.361; 308.37; 308.39; 308.40; 308.41; 308.42; 308.43; 308.51; 308.52; 308.53; 308.54; 308.55; 308.56; 308.57; 308.58; 308.59; 308.60; 308.61; 308.62; 308.63; 308.64; 308.65; 308.66; 308.67;

New language is indicated by underline, deletions by ~~strikeout~~.

308.68; 308.69; 308.70; 308.71; 308.72; 308.73; 308.74; 308.75; 308.76; 308.77; 308.78; 308.79; 308.80; 308.81; 308.82; 308.83; 308.84; 308.85; 308.853; 308.854; 308.901; 308.902; 308.903; 308.904; 308.905; and 308.92, are repealed.

Sec. 49. **REPEALER.**

Article 1, sections 16, 22, 42, and 43, are repealed.

Presented to the governor May 15, 1989

Signed by the governor May 16, 1989, 6:20 p.m.

CHAPTER 145—H.F.No. 832

An act relating to Ramsey county; authorizing the use of certain property for a public library.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. **COUNTY LAND USE.**

Notwithstanding any contrary provision of Minnesota Statutes, section 383A.07, Ramsey county may use for a public library the following described parcel of real property:

Unplatted lands - subject to road over West side and except East 910 feet the South 356 feet of North 712 feet of Northeast 1/4 of Southeast 1/4 of Section 3, Township 29, Range 22.

The property is contiguous to another parcel of county property that is not subject to the restrictions of section 383A.07 and the whole of the two parcels is needed for a public library.

Sec. 2. **EFFECTIVE DATE.**

This act is effective the day following final enactment.

Presented to the governor May 15, 1989

Signed by the governor May 16, 1989, 6:27 p.m.

New language is indicated by underline, deletions by ~~strikeout~~.