

**CHAPTER 160****( HB 441 )**

AN ACT relating to business entities.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

➔SECTION 1. KRS CHAPTER 272A IS ESTABLISHED, SUBCHAPTER 1 OF KRS CHAPTER 272A IS ESTABLISHED, AND A NEW SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

*This chapter may be cited as the Kentucky Uniform Limited Cooperative Association Act.*

➔SECTION 2. A NEW SECTION OF SUBCHAPTER 1 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*As used in this chapter:*

- (1) *"Appropriate court" means the Circuit Court for the county of the Commonwealth in which the limited cooperative association's principal office is located or, if none, the county in which the registered office is or was last located;*
- (2) *"Articles of association" means the articles of association of a limited cooperative association required by Section 20 of this Act. The term includes the articles as amended or restated;*
- (3) *"Board of directors" means the board of directors of a limited cooperative association;*
- (4) *"Bylaws" means the bylaws of a limited cooperative association. The term includes the bylaws as amended or restated;*
- (5) *"Certificate of authority" means a certificate issued by the Secretary of State pursuant to KRS 14A.2-140;*
- (6) *"Contribution," except as used in subsection (3) of Section 84 of this Act, means a benefit that a person provides to a limited cooperative association to become or remain a member or in the person's capacity as a member;*
- (7) *"Cooperative" means a limited cooperative association or an entity organized under any cooperative law of any jurisdiction;*
- (8) *"Director" means a director of a limited cooperative association;*
- (9) *"Distribution," except as used in subsection (5) of Section 83 of this Act, means a transfer of money or other property from a limited cooperative association to a member because of the member's financial rights or to a transferee of a member's financial rights;*
- (10) *"Entity" means an entity or a foreign entity, both as defined in KRS 14A.1-070;*
- (11) *"Financial rights" means the right to participate in allocations and distributions as provided in Subchapters 10 and 12 of this chapter, but does not include rights or obligations under a marketing contract governed by Subchapter 7 of this chapter;*
- (12) *"Foreign cooperative" means an entity organized in a jurisdiction other than this Commonwealth under a law similar to this chapter;*
- (13) *"Governance rights" means the right to participate in governance of a limited cooperative association;*
- (14) *"Investor member" means a member that has made a contribution to a limited cooperative association and:*
  - (a) *Is not required by the organic rules to conduct patronage with the association in the member's capacity as an investor member in order to receive the member's interest; or*
  - (b) *Is not permitted by the organic rules to conduct patronage with the association in the member's capacity as an investor member in order to receive the member's interest;*
- (15) *"Limited cooperative association" means an association organized under this chapter;*
- (16) *"Member" means a person that is admitted as a patron member or investor member, or both, in a limited cooperative association. The term does not include a person that has dissociated as a member;*

- (17) *"Member's interest" means the interest of a patron member or investor member under Section 45 of this Act;*
- (18) *"Members meeting" means an annual members meeting or special meeting of members;*
- (19) *"Organic law" means the statute providing for the creation of an entity or principally governing its internal affairs;*
- (20) *"Organic rules" means the articles of association and bylaws of a limited cooperative association;*
- (21) *"Organizer" means an individual who signs the initial articles of association;*
- (22) *"Patron member" means a member that has made a contribution to a limited cooperative association and:*
- (a) *Is required by the organic rules to conduct patronage with the association in the member's capacity as a patron member in order to receive the member's interest; or*
  - (b) *Is permitted by the organic rules to conduct patronage with the association in the member's capacity as a patron member in order to receive the member's interest;*
- (23) *"Patronage" means business transactions between a limited cooperative association and a person which entitle the person to receive financial rights based on the value or quantity of business done between the association and the person;*
- (24) *"Person" means an individual, entity, public corporation, government or governmental subdivision, agency, or instrumentality, or any other legal or commercial entity;*
- (25) *"Principal office" means the principal executive office of a limited cooperative association or foreign cooperative, whether or not in this state;*
- (26) *"Record," used as a noun, means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form;*
- (27) *"Required information" means the information a limited cooperative association is required to maintain under Section 12 of this Act;*
- (28) *"Secretary" means the officer designated pursuant to subsection (2) of Section 74 of this Act;*
- (29) *"Sign" means, with present intent to authenticate or adopt a record:*
- (a) *To execute or adopt a tangible symbol; or*
  - (b) *To attach to or logically associate with the record an electronic symbol, sound, or process;*
- (30) *"State" means a state of the United States, the District of Columbia, Puerto Rico, the United States Virgin Islands, or any territory or insular possession subject to the jurisdiction of the United States;*
- (31) *"Transfer" includes an assignment, conveyance, deed, bill of sale, lease, mortgage, security interest, encumbrance, gift, and transfer by operation of law;*
- (32) *"Voting group" means any combination of one (1) or more voting members in one (1) or more districts or classes that under the organic rules or under this chapter are entitled to vote and can be counted together collectively on a matter at a members meeting;*
- (33) *"Voting member" means a member that, under the organic law or organic rules, has a right to vote on matters subject to vote by members under the organic law or organic rules; and*
- (34) *"Voting power" means the total current power of members to vote on a particular matter for which a vote may or is to be taken.*

➔SECTION 3. A NEW SECTION OF SUBCHAPTER 1 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

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

➔SECTION 4. A NEW SECTION OF SUBCHAPTER 1 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

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

- (a) *Ownership, financing, and receipt of benefits by the members for whose interests the association is formed; and*
  - (b) *Separate investments in the association by members who may receive returns on their investments and a share of control.*
- (2) *The fact that a limited cooperative association does not have one (1) or more of the characteristics described in subsection (1) of this section does not alone prevent the association from being formed under and governed by this chapter, nor does it alone provide a basis for an action against the association.*

➔SECTION 5. A NEW SECTION OF SUBCHAPTER 1 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *A limited cooperative association is an entity distinct from its members.*
- (2) *A limited cooperative association may be organized for any lawful purpose, whether or not for profit.*
- (3) *This chapter does not alter or amend any law that governs the licensing and regulation of an individual or entity in carrying on a specific business or profession even if that law permits the business or profession to be conducted by a limited cooperative association, a foreign cooperative, or its members.*
- (4) *A limited cooperative association may not conduct an activity that, under law of this state other than this chapter, may be conducted only by an entity that meets specific requirements for the internal affairs of that entity unless the organic rules of the association conform to those requirements.*
- (5) *Unless the articles of association state a term for a limited cooperative association's existence, the association has perpetual duration.*

➔SECTION 6. A NEW SECTION OF SUBCHAPTER 1 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *A limited cooperative association may sue and be sued in its own name and do all things necessary or convenient to carry on its activities.*
- (2) *An association may maintain an action against a member for harm caused to the association by the member's violation of a duty to the association or of the organic law or organic rules.*
- (3) *A member of a limited cooperative association shall not be a proper party to a proceeding by or against a limited cooperative association, solely by reason of being a member of the limited cooperative association, except if the object of the proceeding is to enforce a member's right against or liability to the limited cooperative association or as otherwise provided in an operating agreement.*

➔SECTION 7. A NEW SECTION OF SUBCHAPTER 1 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*The law of this Commonwealth governs:*

- (1) *The internal affairs of a limited cooperative association; and*
- (2) *The liability of a member as member and a director as director for the debts, obligations, or other liabilities of a limited cooperative association.*

➔SECTION 8. A NEW SECTION OF SUBCHAPTER 1 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *It shall be the policy of the General Assembly through this chapter to give maximum effect to the principles of freedom of contract and to the enforceability of organic rules. Unless displaced by particular provisions of this chapter, the principles of law and equity shall supplement this chapter.*
- (2) *Although this chapter is in derogation of common law, the rules of construction that require strict construction of statutes which are in derogation of common law shall not apply to its provisions.*
- (3) *This chapter shall not be construed to:*
  - (a) *Impair the obligations of any contract existing when this chapter, or any amendment of it, becomes effective;*
  - (b) *Affect any action or proceeding begun before the chapter or amendment takes effect; or*
  - (c) *Affect any right accrued before the chapter or amendment takes effect.*

- (4) *Written organic rules may provide that the interest of any member who fails to make any contribution that the member is obligated to make or who otherwise violates an obligation undertaken in the organic rules shall be subject to specified penalties or specified consequences for failure. The penalty or consequence may take the form of:*
- (a) *Reducing or eliminating the defaulting member's proportionate interest in the limited cooperative association;*
  - (b) *Subordinating the member's interest to that of nondefaulting members;*
  - (c) *A forced sale of that interest;*
  - (d) *Forfeiture of his or her interest;*
  - (e) *The lending by other members of the amount necessary to meet the defaulting member's commitment;*
  - (f) *A fixing of the value of his or her interest by appraisal or by formula and redemption or sale of the interest at such; or*
  - (g) *Other penalty or consequence.*
- (5) *Written organic rules may provide rights to any person, including a person who is not a member or not otherwise a party to the organic rules, to the extent set forth therein.*
- (6) *Except to the extent set forth in the written organic rules, a limited cooperative association is bound by and is a party to the organic rules.*
- (7) *Action validly taken pursuant to one (1) provision of this chapter shall not be deemed invalid solely because it is identical or similar in substance to an action that could have been taken pursuant to some other provision of this chapter but fails to satisfy one (1) or more requirements prescribed by such other provision.*
- (8) *No member or other person shall have a vested property right resulting from any provision of the organic rules which may not be modified by its amendment or as otherwise permitted by law.*
- (9) *Each party to the organic rules shall discharge all duties and exercise all rights consistently with the obligation of good faith and fair dealing. The obligation of good faith and fair dealing may not be eliminated in the organic rules, but the parties may prescribe the standards by which the performance of the obligation is to be measured provided the standards are not manifestly unreasonable.*
- (10) *To the extent the organic rules do not otherwise provide, this chapter shall govern relations among the limited cooperative association, the members, the directors, and the assignees.*
- (11) *For purposes of KRS 141.0401, each limited cooperative association with investor members shall be a limited liability pass-through entity, except to the extent of patronage activities or dividends.*

➔SECTION 9. A NEW SECTION OF SUBCHAPTER 1 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*No cooperative, foreign cooperative, or agreements between cooperatives and their members shall be considered a conspiracy, a combination in restraint of trade, an illegal monopoly, or an attempt to lessen competition, fix prices arbitrarily, or create a combination or pool in violation of any law of this state.*

➔SECTION 10. A NEW SECTION OF SUBCHAPTER 1 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*The name of a limited cooperative association shall satisfy the requirements of Section 126 of this Act.*

➔SECTION 11. A NEW SECTION OF SUBCHAPTER 1 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *The relations between a limited cooperative association and its members are consensual. Unless required, limited, or prohibited by this chapter, the organic rules may provide for any matter concerning the relations among the members of the association and between the members and the association, the activities of the association, and the conduct of its activities.*
- (2) *The matters referred to in paragraphs (a) to (k) of this subsection may be varied only in the articles of association. The articles may:*

- (a) *State a term of existence for the association under Section 5 of this Act;*
  - (b) *Limit or eliminate the acceptance of new or additional members by the initial board of directors under Section 21 of this Act;*
  - (c) *Vary the limitations on the obligations and liability of members for association obligations under Section 32 of this Act;*
  - (d) *Require a notice of an annual members meeting to state a purpose of the meeting under Section 36 of this Act;*
  - (e) *Vary the board of directors meeting quorum under Section 68 of this Act;*
  - (f) *Vary the matters the board of directors may consider in making a decision under Section 72 of this Act;*
  - (g) *Specify causes of dissolution under Section 89 of this Act;*
  - (h) *Delegate amendment of the bylaws to the board of directors pursuant to Section 27 of this Act;*
  - (i) *Provide for member approval of asset dispositions under Section 106 of this Act;*
  - (j) *Subject to Section 72 of this Act, provide for the elimination or limitation of liability of a director to the association or its members for money damages pursuant to Section 71 of this Act;*
  - (k) *Provide for permitting or making obligatory indemnification under Section 76 of this Act; and*
  - (l) *Provide for any matters that may be contained in the organic rules, including those under subsection (3) of this section.*
- (3) *The matters referred to in paragraphs (a) to (y) of this subsection may be varied only in the organic rules. The organic rules may:*
- (a) *Require more information to be maintained under Section 12 of this Act or provided to members under Section 33 of this Act;*
  - (b) *Provide restrictions on transactions between a member and an association under Section 13 of this Act;*
  - (c) *Provide for the percentage and manner of voting on amendments to the organic rules by district, class, or voting group under Section 26 of this Act;*
  - (d) *Provide for the percentage vote required to amend the bylaws concerning the admission of new members under Section 27 of this Act;*
  - (e) *Provide for terms and conditions to become a member under Section 30 of this Act;*
  - (f) *Restrict the manner of conducting members meetings under Sections 34 and 35 of this Act;*
  - (g) *Designate the presiding officer of members meetings under Sections 34 and 35 of this Act;*
  - (h) *Require a statement of purposes in the annual meeting notice under Section 36 of this Act;*
  - (i) *Increase quorum requirements for members meetings under Section 38 of this Act and for board of directors meetings under Section 68 of this Act;*
  - (j) *Allocate voting power among members, including patron members and investor members, and provide for the manner of member voting and action as permitted by Sections 39, 40, 41, 42, 43, and 44 of this Act;*
  - (k) *Authorize investor members and expand or restrict the transferability of members' interests to the extent provided in Sections 46, 47, and 48 of this Act;*
  - (l) *Provide for enforcement of a marketing contract under Section 53 of this Act;*
  - (m) *Provide for qualification, election, terms, removal, filling vacancies, and member approval for compensation of directors in accordance with Sections 56, 57, 58, 60, 62, and 63 of this Act;*
  - (n) *Restrict the manner of conducting board meetings and taking action without a meeting under Sections 64 and 65 of this Act;*

- (o) *Provide for frequency, location, notice, and waivers of notice for board meetings under Sections 66 and 67 of this Act;*
  - (p) *Increase the percentage of votes necessary for board action under Section 69 of this Act;*
  - (q) *Provide for the creation of committees of the board of directors and matters related to the committees in accordance with Section 70 of this Act;*
  - (r) *Provide for officers and their appointment, designation, and authority under Section 74 of this Act;*
  - (s) *Provide for forms and values of contributions under Section 78 of this Act;*
  - (t) *Provide for remedies for failure to make a contribution under Section 79 of this Act;*
  - (u) *Provide for the allocation of profits and losses of the association, distributions, and the redemption or repurchase of distributed property other than money in accordance with Sections 80, 81, 82, and 83 of this Act;*
  - (v) *Specify when a member's dissociation is wrongful and the liability incurred by the dissociating member for damage to the association under subsections (2) and (3) of Section 85 of this Act;*
  - (w) *Provide the personal representative, or other legal representative of, a deceased member or a member adjudged incompetent with additional rights under Section 87 of this Act;*
  - (x) *Increase the percentage of votes required for board of director approval of:*
    - 1. *A resolution to dissolve under Section 92 of this Act;*
    - 2. *A proposed amendment to the organic rules under Section 24 of this Act;*
    - 3. *A plan of merger under subsection (1) of Section 114 of this Act; and*
    - 4. *A proposed disposition of assets under Section 108 of this Act; and*
  - (y) *Vary the percentage of votes required for member approval of:*
    - 1. *A resolution to dissolve under Section 92 of this Act;*
    - 2. *An amendment to the organic rules under Section 27 of this Act;*
    - 3. *A plan of merger under Section 115 of this Act; and*
    - 4. *A disposition of assets under Section 109 of this Act.*
- (4) *The organic rules shall address members' contributions pursuant to Section 77 of this Act.*

➔SECTION 12. A NEW SECTION OF SUBCHAPTER 1 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Subject to subsection (2) of this section, a limited cooperative association shall maintain in a record available at its principal office:*
- (a) *A list containing the name, last known street address and, if different, mailing address, and term of office of each director and officer;*
  - (b) *The initial articles of association and all amendments to and restatements of the articles, together with a signed copy of any power of attorney under which any article, amendment, or restatement has been signed;*
  - (c) *The initial bylaws and all amendments to and restatements of the bylaws;*
  - (d) *All filed articles of merger and statements of conversion;*
  - (e) *All financial statements of the association for the six (6) most recent years;*
  - (f) *The six (6) most recent annual reports delivered by the association to the Secretary of State;*
  - (g) *The minutes of members meetings for the six (6) most recent years;*
  - (h) *Evidence of all actions taken by members without a meeting for the six (6) most recent years;*
  - (i) *A list containing:*

1. *The name, in alphabetical order, and last known street address and, if different, mailing address of each patron member and each investor member; and*
  2. *If the association has districts or classes of members, information from which each current member in a district or class may be identified;*
    - (j) *The federal income tax returns, any state and local income tax returns, and any tax reports of the association for the six (6) most recent years;*
    - (k) *Accounting records maintained by the association in the ordinary course of its operations for the six (6) most recent years;*
    - (l) *The minutes of directors meetings for the six (6) most recent years;*
    - (m) *Evidence of all actions taken by directors without a meeting for the six (6) most recent years;*
    - (n) *The amount of money contributed and agreed to be contributed by each member;*
    - (o) *A description and statement of the agreed value of contributions other than money made and agreed to be made by each member;*
    - (p) *The times at which, or events on the happening of which, any additional contribution is to be made by each member;*
    - (q) *For each member, a description and statement of the member's interest or information from which the description and statement can be derived; and*
    - (r) *All communications concerning the association made in a record to all members, or to all members in a district or class, for the six (6) most recent years.*
- (2) *If a limited cooperative association has existed for less than the period for which records must be maintained under subsection (1) of this section, the period records shall be kept is the period of the association's existence.*

➔SECTION 13. A NEW SECTION OF SUBCHAPTER 1 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *A person may have a patron member's interest and an investor member's interest.*
- (2) *When a person acts as a patron member, the person is subject to this chapter and the organic rules governing patron members.*
- (3) *When a person acts as an investor member, the person is subject to this chapter and the organic rules governing investor members.*
- (4) *Subject to Sections 71 and 72 of this Act and except as otherwise provided in the organic rules or a specific contract relating to a transaction, a member may lend money to and transact other business with a limited cooperative association in the same manner as a person that is not a member.*

➔SECTION 14. A NEW SECTION OF SUBCHAPTER 1 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*A limited cooperative association shall designate and continuously maintain in this Commonwealth a registered office and agent and registered in accordance with KRS 14A.4-010.*

➔SECTION 15. SUBCHAPTER 2 OF KRS CHAPTER 272A IS ESTABLISHED, AND A NEW SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

*A record delivered by or on behalf of a limited cooperative association to the Secretary of State for filing shall be executed as provided in Section 127 of this Act.*

➔SECTION 16. A NEW SECTION OF SUBCHAPTER 2 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *If a person required by this chapter to sign or to deliver a record to the Secretary of State for filing does not do so, the appropriate court, upon petition of an aggrieved person, may order:*
  - (a) *The person to sign the record and deliver it to the Secretary of State for filing; or*
  - (b) *Delivery of the unsigned record to the Secretary of State for filing.*

- (2) *An aggrieved person under subsection (1) of this section, other than the limited cooperative association or foreign cooperative to which the record pertains, shall make the association or foreign cooperative a party to the action brought to obtain the order.*
- (3) *An unsigned record filed pursuant to this section by the Secretary of State is effective.*

➔SECTION 17. A NEW SECTION OF SUBCHAPTER 2 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*If a record delivered to the Secretary of State for filing under this chapter and filed by the Secretary of State contains inaccurate information, a person that suffers a loss by reliance on the information may recover damages for the loss from a person that signed the record or caused another to sign it on the person’s behalf and knew at the time the record was signed that the information was inaccurate.*

➔SECTION 18. A NEW SECTION OF SUBCHAPTER 2 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*A limited cooperative association shall deliver to the Secretary of State for filing an annual report as provided for in Section 129 of this Act.*

➔SECTION 19. A NEW SECTION OF SUBCHAPTER 2 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*The Secretary of State shall collect the following fees when the documents described in this section are delivered for filing:*

- (1) *Articles of association .....\$40.00*
- (2) *Amendment of articles of association .....\$40.00*
- (3) *Restatement of articles of association .....\$40.00*
- (4) *Amended restatement of articles of association.....\$80.00*
- (5) *Articles of dissolution for a domestic limited cooperative association .....\$40.00*
- (6) *Articles of merger.....\$50.00*
- (7) *Articles of correction .....\$20.00*
- (8) *Any other document required or permitted to be filed by this chapter.....\$15.00*

➔SECTION 20. SUBCHAPTER 3 OF KRS CHAPTER 272A IS ESTABLISHED, AND A NEW SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

- (1) *A limited cooperative association shall be organized by one (1) or more organizers.*
- (2) *To form a limited cooperative association, an organizer of the association shall deliver articles of association to the Secretary of State for filing. The limited cooperative association is formed when articles of association that comply with subsection (3) of this section are filed by the Secretary of State, and are effective as determined under KRS 14A.2-070.*
- (3) *The articles of association shall include:*
  - (a) *The name of the association;*
  - (b) *The purposes for which the association is formed;*
  - (c) *The mailing address of the association’s principal office;*
  - (d) *The name and street address of the association’s initial registered office and registered agent that comply with KRS 14A.4-010;*
  - (e) *The name and street address and, if different, mailing address of each organizer; and*
  - (f) *The term for which the association is to exist if other than perpetual.*
- (4) *Subject to Section 11 of this Act, articles of association may contain any other provisions in addition to those required by subsection (3) of this section not inconsistent with this chapter.*

➔SECTION 21. A NEW SECTION OF SUBCHAPTER 3 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:



- (1) *After a limited cooperative association is formed:*
- (a) *If initial directors are named in the articles of association, the initial directors shall hold an organizational meeting to adopt initial bylaws and carry on any other business necessary or proper to complete the organization of the association; or*
  - (b) *If initial directors are not named in the articles of association, the organizers shall designate the initial directors and call a meeting of the initial directors to adopt initial bylaws and carry on any other business necessary or proper to complete the organization of the association.*
- (2) *Before the beginning of the initial meeting of the board of directors, an organizer who knows that information in the filed articles of association was inaccurate when the articles were filed or has become inaccurate due to changed circumstances shall promptly:*
- (a) *Cause the articles to be corrected as provided in KRS 14A.2-090; or*
  - (b) *Deliver an amendment to the Secretary of State for filing pursuant to Section 29 of this Act.*
- (3) *Unless the articles of association otherwise provide, the initial directors may cause the limited cooperative association to accept members, including those necessary for the association to begin business.*
- (4) *Initial directors need not be members.*
- (5) *An initial director serves until a successor is elected and qualified at a members meeting or the director is removed, resigns, is adjudged incompetent, or dies.*

➔SECTION 22. A NEW SECTION OF SUBCHAPTER 3 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Bylaws shall be in a record and, if not stated in the articles of association, shall include:*
- (a) *A statement of the capital structure of the limited cooperative association, including:*
    - 1. *The classes or other types of members' interests and relative rights, preferences, and restrictions granted to or imposed upon each class or other type of member's interest; and*
    - 2. *The rights to share in profits or distributions of the association;*
  - (b) *A statement of the method for admission of members;*
  - (c) *A statement designating voting and other governance rights, including which members have voting power and any restriction on voting power;*
  - (d) *A statement that a member's interest is transferable if it is to be transferable, and a statement of the conditions upon which it may be transferred;*
  - (e) *A statement concerning the manner in which profits and losses are allocated and distributions are made among patron members and, if investor members are authorized, the manner in which profits and losses are allocated and how distributions are made among investor members and between patron members and investor members;*
  - (f) *A statement concerning:*
    - 1. *Whether persons that are not members but conduct business with the association may be permitted to share in allocations of profits and losses and receive distributions; and*
    - 2. *The manner in which profits and losses are allocated and distributions are made with respect to those persons; and*
  - (g) *A statement of the number and terms of directors or the method by which the number and terms are determined.*
- (2) *Subject to Section 11 of this Act and the articles of association, bylaws may contain any other provision for managing and regulating the affairs of the association.*
- (3) *In addition to amendments permitted under Subchapter 4 of this chapter, the initial board of directors may amend the bylaws by a majority vote of the directors at any time before the admission of members.*

➔SECTION 23. SUBCHAPTER 4 OF KRS CHAPTER 272A IS ESTABLISHED, AND A NEW SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

- (1) *A limited cooperative association may amend its organic rules for any lawful purpose. In addition, the initial board of directors may amend the bylaws of an association under Section 22 of this Act.*
- (2) *Unless the organic rules otherwise provide, a member does not have a vested property right resulting from any provision in the organic rules, including a provision relating to the management, control, capital structure, distribution, entitlement, purpose, or duration of the limited cooperative association.*

➔SECTION 24. A NEW SECTION OF SUBCHAPTER 4 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Except as provided in subsection (1) of Section 23 of this Act and subsection (6) of Section 27 of this Act, the organic rules of a limited cooperative association may be amended only at a members meeting. An amendment may be proposed by either:
 
  - (a) *A majority of the board of directors, or a greater percentage if required by the organic rules; or*
  - (b) *One (1) or more petitions signed by at least ten percent (10%) of the patron members or at least ten percent (10%) of the investor members.**
- (2) *The board of directors shall call a members meeting to consider an amendment proposed pursuant to subsection (1) of this section. The meeting shall be held not later than ninety (90) days following the proposal of the amendment by the board or receipt of a petition. The board shall mail or otherwise transmit or deliver in a record to each member:
 
  - (a) *The proposed amendment, or a summary of the proposed amendment and a statement of the manner in which a copy of the amendment in a record may be reasonably obtained by a member;*
  - (b) *A recommendation that the members approve the amendment, or if the board determines that because of conflict of interest or other special circumstances it should not make a favorable recommendation, the basis for that determination;*
  - (c) *A statement of any condition of the board's submission of the amendment to the members; and*
  - (d) *Notice of the meeting at which the proposed amendment will be considered, which shall be given in the same manner as notice for a special meeting of members.**

➔SECTION 25. A NEW SECTION OF SUBCHAPTER 4 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *A substantive change to a proposed amendment of the organic rules may not be made at the members meeting at which a vote on the amendment occurs.*
- (2) *A nonsubstantive change to a proposed amendment of the organic rules may be made at the members meeting at which the vote on the amendment occurs and need not be separately voted upon by the board of directors.*
- (3) *A vote to adopt a nonsubstantive change to a proposed amendment to the organic rules shall be by the same percentage of votes required to pass a proposed amendment.*

➔SECTION 26. A NEW SECTION OF SUBCHAPTER 4 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *This section applies if the organic rules provide for voting by district or class, or if there is one (1) or more identifiable voting groups that a proposed amendment to the organic rules would affect differently from other members with respect to matters identified in subsection (5)(a) to (e) of Section 27 of this Act. Approval of the amendment requires the same percentage of votes of the members of that district, class, or voting group required in Sections 27 and 41 of this Act.*
- (2) *If a proposed amendment to the organic rules would affect members in two (2) or more districts or classes entitled to vote separately under subsection (1) of this section in the same or a substantially similar way, the districts or classes affected shall vote as a single voting group unless the organic rules otherwise provide for separate voting.*

➔SECTION 27. A NEW SECTION OF SUBCHAPTER 4 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Subject to Section 26 of this Act and subsections (3) and (4) of this section, an amendment to the articles of association shall be approved by:*

- (a) *At least two-thirds (2/3) of the voting power of members present at a members meeting called under Section 24 of this Act; and*
- (b) *If the limited cooperative association has investor members, at least a majority of the votes cast by patron members, unless the organic rules require a greater percentage vote by patron members.*
- (2) *Subject to Section 26 of this Act and subsections (3), to (6) of this section, an amendment to the bylaws shall be approved by:*
  - (a) *At least a majority vote of the voting power of all members present at a members meeting called under Section 24 of this Act, unless the organic rules require a greater percentage; and*
  - (b) *If the limited cooperative association has investor members, a majority of the votes cast by patron members, unless the organic rules require a larger affirmative vote by patron members.*
- (3) *The organic rules may require that the percentage of votes under subsection (1)(a) or (2)(a) of this section be:*
  - (a) *A different percentage that is not less than a majority of members voting at the meeting;*
  - (b) *Measured against the voting power of all members; or*
  - (c) *A combination of paragraphs (a) and (b) of this subsection.*
- (4) *Consent in a record by a member shall be delivered to a limited cooperative association before delivery of an amendment to the articles of association or restated articles of association for filing pursuant to Section 29 of this Act, if as a result of the amendment the member will have:*
  - (a) *Personal liability for an obligation of the association; or*
  - (b) *An obligation or liability for an additional contribution.*
- (5) *The vote required to amend bylaws shall satisfy the requirements of subsection (1) of this section if the proposed amendment modifies:*
  - (a) *The equity capital structure of the limited cooperative association, including the rights of the association's members to share in profits or distributions, or the relative rights, preferences, and restrictions granted to or imposed upon one (1) or more districts, classes, or voting groups of similarly situated members;*
  - (b) *The transferability of a member's interest;*
  - (c) *The manner or method of allocation of profits or losses among members;*
  - (d) *The quorum for a meeting and the rights of voting and governance; or*
  - (e) *Unless otherwise provided in the organic rules, the terms for admission of new members.*
- (6) *Except for the matters described in subsection (5) of this section, the articles of association may delegate amendment of all or a part of the bylaws to the board of directors without requiring member approval.*
- (7) *If the articles of association delegate amendment of bylaws to the board of directors, the board shall provide a description of any amendment of the bylaws made by the board to the members in a record not later than thirty (30) days after the amendment, but the description may be provided at the next annual members meeting if the meeting is held within the thirty (30) day period.*

➔SECTION 28. A NEW SECTION OF SUBCHAPTER 4 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*A limited cooperative association, by the affirmative vote of a majority of the board of directors taken at a meeting for which the purpose is stated in the notice of the meeting, may adopt restated articles of association that contain the original articles as previously amended. Restated articles may contain amendments if the restated articles are adopted in the same manner and with the same vote as required for amendments to the articles under Section 27 of this Act. Upon filing, restated articles supersede the existing articles and all amendments.*

➔SECTION 29. A NEW SECTION OF SUBCHAPTER 4 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *To amend its articles of association, a limited cooperative association shall deliver to the Secretary of State for filing an amendment of the articles, or restated articles of association or articles of conversion or*

*merger pursuant to Subchapter 16 of this chapter, which contain one (1) or more amendments of the articles of association, stating:*

- (a) The name of the association;*
  - (b) The date of filing of the association's initial articles; and*
  - (c) The changes the amendment makes to the articles as most recently amended or restated.*
- (2) *If restated articles of association are adopted, the restated articles may be delivered to the Secretary of State for filing in the same manner as an amendment.*
- (3) *Upon filing, an amendment of the articles of association or other record containing an amendment of the articles which has been properly adopted by the members is effective as provided in KRS 14A.2-070.*

→SECTION 30. SUBCHAPTER 5 OF KRS CHAPTER 272A IS ESTABLISHED, AND A NEW SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

- (1) *To begin business, a limited cooperative association shall have at least two (2) patron members unless the sole member is a cooperative.*
- (2) *A person becomes a member:*
  - (a) As provided in the organic rules;*
  - (b) As the result of a merger or conversion under Subchapter 116 of this chapter; or*
  - (c) With the consent of all the members.*

→SECTION 31. A NEW SECTION OF SUBCHAPTER 5 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*A member, solely by reason of being a member, may not act for or bind the limited cooperative association.*

→SECTION 32. A NEW SECTION OF SUBCHAPTER 5 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Unless the articles of association otherwise provide, a debt, obligation, or other liability of a limited cooperative association is solely that of the association and is not the debt, obligation, or liability of a member solely by reason of being a member.*
- (2) *Notwithstanding subsection (1) of this section, under the written organic rules or under another written agreement, a member may agree to be obligated personally for any of the debts, obligations, and liabilities of the limited cooperative association.*
- (3) *Subsection (1) of this section shall not affect the liability of a member of a limited cooperative association for his or her own negligence, wrongful acts, or misconduct.*

→SECTION 33. A NEW SECTION OF SUBCHAPTER 5 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Not later than ten (10) business days after receipt of a demand made in a record, a limited cooperative association shall permit a member to obtain, inspect, and copy in the association's principal office required information listed in subsection (1)(a) to (h) of Section 12 of this Act during regular business hours. A member need not have any particular purpose for seeking the information. The association is not required to provide the same information listed in subsections (1)(b) to (h) of Section 12 of this Act to the same member more than once during a six (6) month period.*
- (2) *On demand made in a record received by the limited cooperative association, a member may obtain, inspect, and copy in the association's principal office required information listed in subsection (1)(i), (j), (l), (m), (p), and (r) of Section 12 of this Act during regular business hours, if:*
  - (a) The member seeks the information in good faith and for a proper purpose reasonably related to the member's interest;*
  - (b) The demand includes a description with reasonable particularity of the information sought and the purpose for seeking the information;*
  - (c) The information sought is directly connected to the member's purpose; and*
  - (d) The demand is reasonable.*

- (3) *Not later than ten (10) business days after receipt of a demand pursuant to subsection (2) of this section, a limited cooperative association shall provide, in a record, the following information to the member that made the demand:*
- (a) *If the association agrees to provide the demanded information:*
1. *What information the association will provide in response to the demand; and*
  2. *A reasonable time and place at which the association will provide the information; or*
- (b) *If the association declines to provide some or all of the demanded information, the association's reasons for declining.*
- (4) *A person dissociated as a member may obtain, inspect, and copy information available to a member under subsection (1) or (2) of this section by delivering a demand in a record to the limited cooperative association in the same manner and subject to the same conditions applicable to a member under subsection (2) of this section if:*
- (a) *The information pertains to the period during which the person was a member in the association; and*
- (b) *The person seeks the information in good faith.*
- (5) *A limited cooperative association shall respond to a demand made pursuant to subsection (4) of this section in the manner provided in subsection (3) of this section.*
- (6) *Not later than ten (10) business days after receipt by a limited cooperative association of a demand made by a member in a record, but not more often than once in a six (6) month period, the association shall deliver to the member a record stating the information with respect to the member required by paragraph (q) of subsection (1)(a) of Section 12 of this Act.*
- (7) *A limited cooperative association may impose reasonable restrictions, including nondisclosure restrictions, on the use of information obtained under this section. Except as to limitations set forth in organic rules to which a member requesting inspection has assented, in a dispute concerning the reasonableness of a restriction under this subsection, the association has the burden of proving reasonableness.*
- (8) *A limited cooperative association may charge a person that makes a demand under this section the reasonable costs of copying, limited to the costs of labor and material.*
- (9) *A person that may obtain information under this section may obtain the information through an attorney or other agent. A restriction imposed on the person under subsection (7) of this section or by the organic rules applies to the attorney or other agent.*
- (10) *The rights stated in this section do not extend to a person as transferee.*
- (11) *The organic rules may require a limited cooperative association to provide more information than required by this section, and the organic rules may establish conditions and procedures for providing the information.*

➔SECTION 34. A NEW SECTION OF SUBCHAPTER 5 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Members shall meet annually at a time provided in the organic rules or set by the board of directors not inconsistent with the organic rules.*
- (2) *An annual members meeting may be held inside or outside the Commonwealth of Kentucky at the place stated in the organic rules or selected by the board of directors not inconsistent with the organic rules.*
- (3) *Unless the organic rules otherwise provide, members may attend or conduct an annual members meeting through any means of communication if all members attending the meeting can communicate with each other during the meeting.*
- (4) *The board of directors shall report, or cause to be reported, at the association's annual members meeting the association's business and financial condition as of the close of the most recent fiscal year.*
- (5) *Unless the organic rules otherwise provide, the board of directors shall designate the presiding officer of the association's annual members meeting.*

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

➔SECTION 35. A NEW SECTION OF SUBCHAPTER 5 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *A special meeting of members may be called only:*
- (a) *As provided in the organic rules;*
  - (b) *By a majority vote of the board of directors on a proposal stating the purpose of the meeting;*
  - (c) *By demand in a record signed by members holding at least twenty percent (20%) of the voting power of the persons in any district or class entitled to vote on the matter that is the purpose of the meeting stated in the demand; or*
  - (d) *By demand in a record signed by members holding at least ten percent (10%) of the total voting power of all the persons entitled to vote on the matter that is the purpose of the meeting stated in the demand.*
- (2) *A demand under subsection (1)(c) or (d) of this section shall be submitted to the officer of the limited cooperative association charged with keeping its records.*
- (3) *Any voting member may withdraw its demand under subsection (1)(c) or (d) of this section before receipt by the limited cooperative association of demands sufficient to require a special meeting of members.*
- (4) *A special meeting of members may be held inside or outside this state at the place stated in the organic rules or selected by the board of directors not inconsistent with the organic rules.*
- (5) *Unless the organic rules otherwise provide, members may attend or conduct a special meeting of members through the use of any means of communication if all members attending the meeting can communicate with each other during the meeting.*
- (6) *Only business within the purpose or purposes stated in the notice of a special meeting of members may be conducted at the meeting.*
- (7) *Unless the organic rules otherwise provide, the presiding officer of a special meeting of members shall be designated by the board of directors.*

➔SECTION 36. A NEW SECTION OF SUBCHAPTER 5 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *A limited cooperative association shall notify each member of the time, date, and place of a members meeting at least ten (10) and not more than sixty (60) days before the meeting.*
- (2) *Unless the articles of association otherwise provide, notice of an annual members meeting need not include any purpose of the meeting.*
- (3) *Notice of a special meeting of members shall include each purpose of the meeting as contained in the demand under subsection (1)(c) or (d) of Section 35 of this Act or as voted upon by the board of directors under subsection (1)(b) of Section 35 of this Act.*
- (4) *Notice of a members meeting shall be given in a record unless oral notice is reasonable under the circumstances.*

➔SECTION 37. A NEW SECTION OF SUBCHAPTER 5 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *A member may waive notice of a members meeting before, during, or after the meeting.*
- (2) *A member's participation in a members meeting is a waiver of notice of that meeting unless the member objects to the meeting at the beginning of the meeting or promptly upon the member's arrival at the meeting and does not thereafter vote for or assent to action taken at the meeting.*

➔SECTION 38. A NEW SECTION OF SUBCHAPTER 5 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

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

➔SECTION 39. A NEW SECTION OF SUBCHAPTER 5 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Except as provided by subsections (2) and (3) of this section, each patron member has one (1) vote.*
- (2) *The organic rules may allocate voting power among patron members on the basis of one (1) or a combination of the following:*
  - (a) *One (1) member, one (1) vote;*
  - (b) *Use or patronage;*
  - (c) *Equity; or*
  - (d) *If a patron member is a cooperative, the number of its patron members.*
- (3) *The organic rules may provide for the allocation of patron member voting power by districts or class, or any combination thereof.*

➔SECTION 40. A NEW SECTION OF SUBCHAPTER 5 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*If the organic rules provide for investor members, each investor member has one (1) vote, unless the organic rules otherwise provide. The organic rules may provide for the allocation of investor member voting power by class, classes, or any combination of classes.*

➔SECTION 41. A NEW SECTION OF SUBCHAPTER 5 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*If a limited cooperative association has both patron and investor members, the following rules apply:*

- (1) *The total voting power of all patron members may not be less than a majority of the entire voting power entitled to vote;*
- (2) *Action on any matter is approved only upon the affirmative vote of at least a majority of:*
  - (a) *All members voting at the meeting unless more than a majority is required by Subchapter 4, 12, 15, or 16 of this chapter or the organic rules; and*
  - (b) *Votes cast by patron members unless the organic rules require a larger affirmative vote by patron members; and*
- (3) *The organic rules may provide for the percentage of the affirmative votes that must be cast by investor members to approve the matter.*

➔SECTION 42. A NEW SECTION OF SUBCHAPTER 5 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Unless the organic rules otherwise provide, voting by a proxy at a members meeting is prohibited. This subsection does not prohibit delegate voting based on district or class.*
- (2) *If voting by a proxy is permitted, a patron member may appoint only another patron member as a proxy and, if investor members are permitted, an investor member may appoint only another investor member as a proxy.*
- (3) *The organic rules may provide for the manner of and provisions governing the appointment of a proxy.*
- (4) *The organic rules may provide for voting on any question by ballot delivered by mail or voting by other means on questions that are subject to vote by members.*

➔SECTION 43. A NEW SECTION OF SUBCHAPTER 5 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Unless the organic rules require that action be taken only at a members meeting, any action that may be taken by the members may be taken without a meeting if each member entitled to vote on the action consents in a record to the action.*
- (2) *Consent under subsection (1) of this section may be withdrawn by a member in a record at any time before the limited cooperative association receives a consent from each member entitled to vote.*
- (3) *Consent to any action may specify the effective date or time of the action.*

➔SECTION 44. A NEW SECTION OF SUBCHAPTER 5 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *The organic rules may provide for the formation of geographic districts of patron members and:*
  - (a) *For the conduct of patron member meetings by districts and the election of directors at the meetings; or*
  - (b) *That districts may elect district delegates to represent and vote for the district at members meetings.*
- (2) *A delegate elected under subsection (1)(b) of this section has one (1) vote unless voting power is otherwise allocated by the organic rules.*
- (3) *The organic rules may provide for the establishment of classes of members, for the preferences, rights, and limitations of the classes, and:*
  - (a) *For the conduct of members meetings by classes and the election of directors at the meetings; or*
  - (b) *That classes may elect class delegates to represent and vote for the class in members meetings.*
- (4) *A delegate elected under subsection (3)(b) of this section has one (1) vote unless voting power is otherwise allocated by the organic rules.*

➔SECTION 45. SUBCHAPTER 6 OF KRS CHAPTER 272A IS ESTABLISHED, AND A NEW SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

*A member's interest:*

- (1) *Is personal property;*
- (2) *Consists of:*
  - (a) *Governance rights;*
  - (b) *Financial rights; and*
  - (c) *The right or obligation, if any, to do business with the limited cooperative association; and*
- (3) *May be in certificated or uncertificated form.*

➔SECTION 46. A NEW SECTION OF SUBCHAPTER 6 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Unless the organic rules establish investor members' interests, a member's interest is a patron member's interest.*
- (2) *Unless the organic rules otherwise provide, if a limited cooperative association has investor members, while a person is a member of the association, the person:*
  - (a) *If admitted as a patron member, remains a patron member;*
  - (b) *If admitted as an investor member, remains an investor member; and*
  - (c) *If admitted as a patron member and investor member, remains a patron and investor member if not dissociated in one (1) of the capacities.*

➔SECTION 47. A NEW SECTION OF SUBCHAPTER 6 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *The provisions of this chapter relating to the transferability of a member's interest are subject to the Uniform Commercial Code as enacted in the Commonwealth of Kentucky in KRS Chapter 355.*
- (2) *Unless the organic rules otherwise provide, a member's interest other than financial rights is not transferable.*
- (3) *Unless a transfer is restricted or prohibited by the organic rules, a member may transfer the member's financial rights in the limited cooperative association.*
- (4) *The terms of any restriction on transferability of financial rights shall be:*
  - (a) *Set forth in the organic rules and the member records of the association; and*
  - (b) *Conspicuously noted on any certificates evidencing a member's interest.*



- (5) *A transferee of a member's financial rights, to the extent the rights are transferred, has the right to share in the allocation of profits or losses and to receive the distributions to the member transferring the interest to the same extent as the transferring member. A transferee of a member's financial rights does not become a member upon transfer of the financial rights unless the transferee is admitted as a member by the limited cooperative association and has no governance rights in the association.*
- (6) *Except as provided in the organic rules, a member who has conveyed all of the member's financial rights shall remain a member.*
- (7) *A limited cooperative association need not give effect to a transfer under this section until the association has notice of the transfer.*
- (8) *A transfer of a member's financial rights in violation of a restriction on transfer contained in the organic rules is ineffective as to a person having notice of the restriction at the time of transfer.*

➔SECTION 48. A NEW SECTION OF SUBCHAPTER 6 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *A member or transferee may create an enforceable security interest in its financial rights in a limited cooperative association.*
- (2) *Unless the organic rules otherwise provide, a member may not create an enforceable security interest in the member's governance rights in a limited cooperative association.*
- (3) *The organic rules may provide that a limited cooperative association has a security interest in the financial rights of a member to secure payment of any indebtedness or other obligation of the member to the association. A security interest provided for in the organic rules is enforceable under, and governed by, Article 9 of KRS Chapter 355.*
- (4) *Unless the organic rules otherwise provide, a member may not compel the limited cooperative association to offset financial rights against any indebtedness or obligation owed to the association.*

➔SECTION 49. A NEW SECTION OF SUBCHAPTER 6 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *This section provides the exclusive remedy by which the judgment creditor of a member or the assignee of a member may satisfy a judgment out of the judgment debtor's limited financial rights in a limited cooperative association.*
- (2) *On application to a court of competent jurisdiction by a judgment creditor of a member or a member's assignee, a court may charge the judgment debtor's financial rights in the association with payment of the unsatisfied amount of the judgment. To the extent so charged, the judgment creditor has only the rights of a transferee and shall have no right to participate in the management or to cause the dissolution of the association. The court may appoint a receiver of the share of the distributions due or to become due to the judgment debtor in respect of the financial rights and make all other orders, directions, accounts, and inquiries the judgment debtor might have made or which the circumstances of the case may require to give effect to the charging order.*
- (3) *A charging order constitutes a lien on and the right to receive distributions made with respect to the judgment debtor's financial rights. A charging order does not of itself constitute an assignment of the financial rights.*
- (4) *The court may order a foreclosure upon the financial rights subject to the charging order at any time. The purchaser of the financial rights at the foreclosure sale has the rights of a transferee. At any time before foreclosure, the charged financial rights may be redeemed:*
  - (a) *By the judgment debtor;*
  - (b) *With property other than property of the association, by one (1) or more of the other members; and*
  - (c) *With association property, by the association with the consent of all members whose financial rights are not so charged.*
- (5) *This section does not deprive a member or a member's assignee of the benefit of any exemption laws applicable to the member's or assignee's financial rights.*

- (6) *The association is not a necessary part to an application for a charging order. Service of the charging order on an association may be made by the court granting the charging order or as the court should otherwise direct.*

➔SECTION 50. SUBCHAPTER 7 OF KRS CHAPTER 272A IS ESTABLISHED, AND A NEW SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

*As used in this subchapter, "marketing contract" means a contract between a limited cooperative association and another person that need not be a patron member:*

- (1) *Requiring the other person to sell, or deliver for sale or marketing on the person's behalf, a specified part of the person's products, commodities, or goods exclusively to or through the association or any facilities furnished by the association; or*
- (2) *Authorizing the association to act for the person in any manner with respect to the products, commodities, or goods.*

➔SECTION 51. A NEW SECTION OF SUBCHAPTER 7 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *If a marketing contract provides for the sale of products, commodities, or goods to a limited cooperative association, the sale transfers title to the association upon delivery or at any other specific time expressly provided by the contract.*
- (2) *A marketing contract may:*
  - (a) *Authorize a limited cooperative association to create an enforceable security interest in the products, commodities, or goods delivered; and*
  - (b) *Allow the association to sell the products, commodities, or goods delivered and pay the sales price on a pooled or other basis after deducting selling costs, processing costs, overhead, expenses, and other charges.*
- (3) *Some or all of the provisions of a marketing contract between a patron member and a limited cooperative association may be contained in the organic rules.*

➔SECTION 52. A NEW SECTION OF SUBCHAPTER 7 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*The initial duration of a marketing contract may not exceed ten (10) years, but the contract may be self-renewing for additional periods not exceeding five (5) years each. Unless the contract provides for another manner or time for termination, either party may terminate the contract by giving notice in a record at least ninety (90) days before the end of the current term.*

➔SECTION 53. A NEW SECTION OF SUBCHAPTER 7 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Damages to be paid to a limited cooperative association for breach or anticipatory repudiation of a marketing contract may be liquidated, but only at an amount or under a formula that is reasonable in light of the actual or anticipated harm caused by the breach or repudiation assessed as of the time of the making of the marketing contract. A provision that so provides is not a penalty or otherwise unreasonable.*
- (2) *Upon a breach of a marketing contract, whether by anticipatory repudiation or otherwise, a limited cooperative association may seek:*
  - (a) *An injunction to prevent further breach; and*
  - (b) *Specific performance.*
- (3) *The remedies in this section are in addition to any other remedies available to an association under law other than this chapter.*

➔SECTION 54. SUBCHAPTER 8 OF KRS CHAPTER 272A IS ESTABLISHED, AND A NEW SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

- (1) *A limited cooperative association shall have a board of directors of at least three (3) individuals, unless the association has fewer than three (3) members. If the association has fewer than three (3) members, the number of directors may not be fewer than the number of members.*

- (2) *The affairs of a limited cooperative association shall be managed by, or under the direction of, the board of directors. The board may adopt policies and procedures that do not conflict with the organic rules or this chapter.*
- (3) *An individual is not an agent for a limited cooperative association solely by being a director.*

➔SECTION 55. A NEW SECTION OF SUBCHAPTER 8 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *A debt, obligation, or other liability of a limited cooperative association is solely that of the association and is not a debt, obligation, or liability of a director solely by reason of being a director. An individual is not personally liable, directly or indirectly, for an obligation of an association solely by reason of being a director.*
- (2) *Subsection (1) of this section shall not affect the liability of a director of an association for his or her own negligence, wrongful acts, or misconduct.*

➔SECTION 56. A NEW SECTION OF SUBCHAPTER 8 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Unless the organic rules otherwise provide, and subject to subsection (3) of this section, each director of a limited cooperative association shall be an individual who is a member of the association or an individual who is designated by an entity member for purposes of qualifying and serving as a director. Initial directors need not be members.*
- (2) *Unless the organic rules otherwise provide, a director may be an officer or employee of the limited cooperative association.*
- (3) *If the organic rules provide for nonmember directors, the number of nonmember directors may not exceed:*
  - (a) *One (1), if there are two (2) through four (4) directors;*
  - (b) *Two (2), if there are five (5) through eight (8) directors; or*
  - (c) *One-third (1/3) of the total number of directors if there are at least nine (9) directors.*
- (4) *The organic rules may provide qualifications for directors in addition to those in this section.*

➔SECTION 57. A NEW SECTION OF SUBCHAPTER 8 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Unless the organic rules require a greater number:*
  - (a) *The number of directors that must be patron members may not be fewer than:*
    - 1. *One (1), if there are two (2) or three (3) directors;*
    - 2. *Two (2), if there are four (4) or five (5) directors;*
    - 3. *Three (3), if there are six (6) through eight (8) directors; or*
    - 4. *One-third (1/3) of the directors if there are at least nine (9) directors; and*
  - (b) *A majority of the board of directors shall be elected exclusively by patron members.*
- (2) *Unless the organic rules otherwise provide, if a limited cooperative association has investor members, the directors who are not elected exclusively by patron members are elected by the investor members.*
- (3) *Subject to subsection (1) of this section, the organic rules may provide for the election of all or a specified number of directors by one (1) or more districts or classes of members.*
- (4) *Subject to subsection (1) of this section, the organic rules may provide for the nomination or election of directors by districts or classes, directly or by district delegates.*
- (5) *If a class of members consists of a single member, the organic rules may provide for the member to appoint a director or directors.*
- (6) *Unless the organic rules otherwise provide, cumulative voting for directors is prohibited.*
- (7) *Except as otherwise provided by the organic rules, subsection (5) of this section, or Sections 21, 43, 44, and 62 of this Act, member directors shall be elected at an annual members meeting.*

- (8) *Every director of a limited cooperative association, by acceptance of election or appointment as a director, including by service, shall be deemed to have consented to the jurisdiction of the courts of the Commonwealth of Kentucky for any action by, in the name of or on behalf of the association.*

➔SECTION 58. A NEW SECTION OF SUBCHAPTER 8 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Unless the organic rules otherwise provide, and subject to subsections (3) and (4) of this section and subsection (5) of Section 21 of this Act, the term of a director expires at the annual members meeting following the director's election or appointment. The term of a director may not exceed three (3) years.*
- (2) *Unless the organic rules otherwise provide, a director may be reelected.*
- (3) *Except as otherwise provided in subsection (4) of this section, a director continues to serve until a successor director is elected or appointed and qualifies or the director is removed, resigns, is adjudged incompetent, or dies.*
- (4) *Unless the organic rules otherwise provide, a director does not serve the remainder of the director's term if the director ceases to qualify to be a director.*

➔SECTION 59. A NEW SECTION OF SUBCHAPTER 8 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

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

➔SECTION 60. A NEW SECTION OF SUBCHAPTER 8 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Members may remove a director with or without cause.*
- (2) *A member or members holding at least ten percent (10%) of the total voting power entitled to be voted in the election of a director may demand removal of the director by one (1) or more signed petitions submitted to the officer of the limited cooperative association charged with keeping its records.*
- (3) *Upon receipt of a petition for removal of a director, an officer of the association or the board of directors shall:*
  - (a) *Call a special meeting of members to be held not later than forty-five (45) days after receipt of the petition by the association; and*
  - (b) *Mail or otherwise transmit or deliver in a record to the members entitled to vote on the removal, and to the director to be removed, notice of the meeting which complies with Section 36 of this Act.*
- (4) *A director is removed if the votes in favor of removal are equal to or greater than the votes required to elect the director.*

➔SECTION 61. A NEW SECTION OF SUBCHAPTER 8 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *A board of directors may suspend a director if, considering the director's course of conduct and the inadequacy of other available remedies, immediate suspension is necessary for the best interests of the association and the director is engaging, or has engaged, in:*
  - (a) *Fraudulent conduct with respect to the association or its members;*
  - (b) *Gross abuse of the position of director;*
  - (c) *Intentional or reckless infliction of harm on the association; or*
  - (d) *Any other behavior, act, or omission as provided by the organic rules.*
- (2) *A suspension under subsection (1) of this section is effective for thirty (30) days unless the board of directors calls and gives notice of a special meeting of members for removal of the director before the end of the thirty (30) day period in which case the suspension is effective until adjournment of the meeting or the director is removed.*

➔SECTION 62. A NEW SECTION OF SUBCHAPTER 8 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Unless the organic rules otherwise provide, a vacancy on the board of directors shall be filled:*
- (a) *Within a reasonable time by majority vote of the remaining directors until the next annual members meeting or a special meeting of members called to fill the vacancy; and*
  - (b) *For the unexpired term by members at the next annual members meeting or a special meeting of members called to fill the vacancy.*
- (2) *Unless the organic rules otherwise provide, if a vacating director was elected or appointed by a class of members or a district:*
- (a) *The new director shall be of that class or district; and*
  - (b) *The selection of the director for the unexpired term shall be conducted in the same manner as would the selection for that position without a vacancy.*
- (3) *If a member appointed a vacating director, the organic rules may provide for that member to appoint a director to fill the vacancy.*

➔SECTION 63. A NEW SECTION OF SUBCHAPTER 8 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*Unless the organic rules otherwise provide, the board of directors may set the remuneration of directors and of nondirector committee members appointed under subsection (1) of Section 70 of this Act.*

➔SECTION 64. A NEW SECTION OF SUBCHAPTER 8 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *A board of directors shall meet at least annually and may hold meetings inside or outside of the Commonwealth of Kentucky.*
- (2) *Unless the organic rules provide otherwise, the board of directors may permit any or all directors to participate in a regular or special meeting by, or conduct the meeting through the use of, any means of communication by which all directors participating may simultaneously hear each other during this meeting. A director participating in a meeting by this means shall be deemed to be present in person at the meeting.*

➔SECTION 65. A NEW SECTION OF SUBCHAPTER 8 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Unless prohibited by the organic rules, any action that may be taken by a board of directors may be taken without a meeting if each director consents in a record to the action.*
- (2) *Consent under subsection (1) of this section may be withdrawn by a director in a record at any time before the limited cooperative association receives consent from all directors.*
- (3) *A record of consent for any action under subsection (1) of this section may specify the effective date or time of the action.*

➔SECTION 66. A NEW SECTION OF SUBCHAPTER 8 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Unless the organic rules otherwise provide, a board of directors may establish a time, date, and place for regular board meetings, and notice of the time, date, place, or purpose of those meetings is not required.*
- (2) *Unless the organic rules otherwise provide, notice of the time, date, and place of a special meeting of a board of directors shall be given to all directors at least three (3) days before the meeting, the notice shall contain a statement of the purpose of the meeting, and the meeting is limited to the matters contained in the statement.*

➔SECTION 67. A NEW SECTION OF SUBCHAPTER 8 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Unless the organic rules otherwise provide, a director may waive any required notice of a meeting of the board of directors in a record before, during, or after the meeting.*
- (2) *Unless the organic rules otherwise provide, a director's participation in a meeting is a waiver of notice of that meeting unless:*

- (a) *The director objects to the meeting at the beginning of the meeting or promptly upon the director's arrival at the meeting and does not thereafter vote in favor of or otherwise assent to the action taken at the meeting; or*
- (b) *The director promptly objects upon the introduction of any matter for which notice under Section 66 of this Act has not been given and does not thereafter vote in favor of or otherwise assent to the action taken on the matter.*

➔SECTION 68. A NEW SECTION OF SUBCHAPTER 8 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Unless the articles of association provide for a greater number, a majority of the total number of directors specified by the organic rules constitutes a quorum for a meeting of the directors.*
- (2) *If a quorum of the board of directors is present at the beginning of a meeting, any action taken by the directors present is valid even if withdrawal of directors originally present results in the number of directors being fewer than the number required for a quorum.*
- (3) *A director present at a meeting but objecting to notice under subsection (2) of Section 67 of this Act does not count toward a quorum.*

➔SECTION 69. A NEW SECTION OF SUBCHAPTER 8 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Each director shall have one (1) vote for purposes of decisions made by the board of directors.*
- (2) *Unless the organic rules otherwise provide, the affirmative vote of a majority of directors present at a meeting is required for action by the board of directors.*
- (3) *Directors may not vote by proxy.*

➔SECTION 70. A NEW SECTION OF SUBCHAPTER 8 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Unless the organic rules otherwise provide, a board of directors may create one (1) or more committees and appoint one (1) or more individuals to serve on a committee.*
- (2) *Unless the organic rules otherwise provide, an individual appointed to serve on a committee of a limited cooperative association need not be a director or member.*
- (3) *An individual who is not a director and is serving on a committee has the same rights, duties, and obligations as a director serving on the committee.*
- (4) *Unless the organic rules otherwise provide, each committee of a limited cooperative association may exercise the powers delegated to it by the board of directors, but a committee may not:*
  - (a) *Approve allocations or distributions, except according to a formula or method prescribed by the board of directors;*
  - (b) *Approve or propose to the members action requiring approval of the members; or*
  - (c) *Fill vacancies on the board of directors or any of its committees.*

➔SECTION 71. A NEW SECTION OF SUBCHAPTER 8 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*Except as otherwise provided in Section 72 of this Act:*

- (1) *The fiduciary duties a director owes to the limited cooperative association include the duty of loyalty and the duty of care set forth in subsections (2) and (3) of this section;*
- (2) *A director's duty of loyalty to the limited cooperative association includes but is not limited to the following:*
  - (a) *To account to the association and hold as trustee for it any property, profit, or benefit derived by the director in the conduct and winding up of the association's business or derived from a use by the director of association property, including the appropriation of an opportunity;*
  - (b) *To refrain from dealing with the association in the conduct or winding up of association business as or on behalf of a party having an interest adverse to the association; and*

- (c) *To refrain from competing with the association in the conduct of association business before the dissolution of the association;*
- (3) *A director's duty of care to the limited cooperative association and the members thereof in the conduct and winding up of association business includes but is not limited to acting with the care that a reasonable person in a like position would exercise under similar circumstances and in a manner that the director reasonably believes to be in the best interests of the association;*
- (4) *A director does not violate a duty or obligation under this subchapter or under the association's organic rules merely because the director's conduct furthers the director's own interest; and*
- (5) *A director may lend money to, act as a surety, guarantor, or endorser for, guarantee or assume one (1) or more specific obligations of, provide collateral for and transact other business with the limited cooperative association, and as to each loan or transaction the rights and obligations of the director are the same as those of a person who is not a director, subject to other applicable law.*

➔SECTION 72. A NEW SECTION OF SUBCHAPTER 8 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

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

- (1) *The interest of employees, customers, and suppliers of the association;*
- (2) *The interest of the community in which the association operates; and*
- (3) *Other cooperative principles and values that may be applied in the context of the decision.*

➔SECTION 73. A NEW SECTION OF SUBCHAPTER 8 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*A director or a member of a committee appointed under Section 70 of this Act may obtain, inspect, and copy all information regarding the state of activities and financial condition of the limited cooperative association and other information regarding the activities of the association if the information is reasonably related to the performance of the director's duties as director or the committee member's duties as a member of the committee. Information obtained in accordance with this section may not be used in any manner that would violate any duty of or to the association.*

➔SECTION 74. A NEW SECTION OF SUBCHAPTER 8 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *A limited cooperative association has the officers:*
- (a) *Provided in the organic rules; or*
- (b) *Established by the board of directors in a manner not inconsistent with the organic rules.*
- (2) *The organic rules may designate or, if the rules do not designate, the board of directors shall designate, one (1) of the association's officers for preparing all records required by Section 12 of this Act and for the authentication of records.*
- (3) *Unless the organic rules otherwise provide, the board of directors shall appoint the officers of the limited cooperative association.*
- (4) *Officers of a limited cooperative association shall perform the duties the organic rules prescribe or as authorized by the board of directors not in a manner inconsistent with the organic rules.*
- (5) *The election or appointment of an officer of a limited cooperative association does not of itself create a contract between the association and the officer.*
- (6) *Unless the organic rules otherwise provide, an individual may simultaneously hold more than one (1) office in a limited cooperative association.*

➔SECTION 75. A NEW SECTION OF SUBCHAPTER 8 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

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

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

➔SECTION 76. SUBCHAPTER 9 OF KRS CHAPTER 272A IS ESTABLISHED, AND A NEW SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

- (1) *The organic rules may provide indemnification to a director for judgments, settlements, penalties, fines, or expenses incurred in a proceeding to which a director is a party because the person is a director.*
- (2) *No indemnification may be provided for conduct violating the standards in effect pursuant to Section 71 of this Act.*
- (3) *The organic rules may provide that the limited cooperative association may advance expenses, including reasonable attorney's fees and costs, incurred by a director in connection with a claim or demand against the director by reason of the director's relationship to an association before the final disposition of the claim or demand, upon an undertaking by or on behalf of the director to repay the association if the director is ultimately determined not to be entitled to be indemnified under subsection (2) of this section. The terms of the undertaking shall be as set forth in the organic rules or as approved by the disinterested director and shall be in a record.*
- (4) *The organic rules may provide for the indemnification of and advancement to other persons including committee members who are not directors.*

➔SECTION 77. SUBCHAPTER 10 OF KRS CHAPTER 272A IS ESTABLISHED, AND A NEW SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

*The organic rules shall establish the amount, manner, or method of determining any contribution requirements for members or shall authorize the board of directors to establish the amount, manner, or other method of determining any contribution requirements for members.*

➔SECTION 78. A NEW SECTION OF SUBCHAPTER 10 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Unless the organic rules otherwise provide, the contributions of a member to a limited cooperative association may consist of tangible or intangible property or other benefit to the association, including money, labor, or other services performed or to be performed, promissory notes, other agreements to contribute money or property, and contracts to be performed.*
- (2) *The receipt and acceptance of contributions and the valuation of contributions shall be reflected in a limited cooperative association's records.*
- (3) *Unless the organic rules otherwise provide, the board of directors shall determine the value of a member's contributions received or to be received, and the determination by the board of directors of valuation is conclusive for purposes of determining whether the member's contribution obligation has been met.*

➔SECTION 79. A NEW SECTION OF SUBCHAPTER 10 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Except as otherwise provided in the agreement, the following rules apply to an agreement made by a person before formation of a limited cooperative association to make a contribution to the association:*
- (a) *The agreement is irrevocable for six (6) months after the agreement is signed by the person unless all parties to the agreement consent to the revocation; and*
- (b) *If a person does not make a required contribution:*
1. *The person is obligated, at the option of the association, once formed, to contribute money equal to the value of that part of the contribution that has not been made, and the obligation may be enforced as a debt to the association; or*
  2. *The association, once formed, may rescind the agreement if the debt remains unpaid more than twenty (20) days after the association demands payment from the person, and upon rescission the person has no further rights or obligations with respect to the association.*
- (2) *With respect to any agreement to make a contribution to a limited cooperative association made at the time of or subsequent to its formation, unless the organic rules or an agreement to make a contribution to a limited cooperative association otherwise provide, if a person does not make a required contribution to an*



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

➔SECTION 80. A NEW SECTION OF SUBCHAPTER 10 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *The organic rules may provide for allocating profits of a limited cooperative association among members, among persons that are not members but conduct business with the association, to an unallocated account, or to any combination thereof. Unless the organic rules otherwise provide, losses of the association shall be allocated in the same proportion as profits.*
- (2) *Unless the organic rules otherwise provide, all profits and losses of a limited cooperative association shall be allocated to patron members.*
- (3) *If a limited cooperative association has investor members, the organic rules may not allocate to patron members less than fifty percent (50%) of profits. For purposes of this subsection, the following rules apply:*
  - (a) *Amounts paid or due on contracts for the delivery to the association by patron members of products, goods, or services are not considered amounts allocated to patron members; and*
  - (b) *Amounts paid, due, or allocated to investor members as a stated fixed return on equity are not considered amounts allocated to investor members.*
- (4) *Unless prohibited by the organic rules, in determining the profits for allocation under subsections (1), (2), and (3) of this section, the board of directors may first deduct and set aside a part of the profits to create or accumulate:*
  - (a) *An unallocated capital reserve; and*
  - (b) *Reasonable unallocated reserves for specific purposes, including:*
    1. *Expansion and replacement of capital assets;*
    2. *Education, training, and cooperative development;*
    3. *Creation and distribution of information concerning principles of cooperation; and*
    4. *Community responsibility.*
- (5) *Subject to subsections (2) and (6) of this section and the organic rules, the board of directors shall allocate the amount remaining after any deduction or setting aside of profits for unallocated reserves under subsection (4) of this section:*
  - (a) *To patron members in the ratio of each member's patronage to the total patronage of all patron members during the period for which allocations are to be made; and*
  - (b) *To investor members, if any, in the ratio of each investor member's contributions to the total contributions of all investor members.*
- (6) *For purposes of allocation of profits and losses or specific items of profits or losses of a limited cooperative association to members, the organic rules may establish allocation units or methods based on separate classes of members or, for patron members, on class, function, division, district, department, allocation units, pooling arrangements, members' contributions, or other equitable methods.*

➔SECTION 81. A NEW SECTION OF SUBCHAPTER 10 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Unless the organic rules otherwise provide and subject to Section 83 of this Act, the board of directors may authorize, and the limited cooperative association may make, distributions to members.*
- (2) *Unless the organic rules otherwise provide, distributions to members may be made in any form, including money, capital credits, allocated patronage equities, revolving fund certificates, and the limited cooperative association's own or other securities.*

➔SECTION 82. A NEW SECTION OF SUBCHAPTER 10 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*Property distributed to a member by a limited cooperative association, other than money, may be redeemed or repurchased as provided in the organic rules, but a redemption or repurchase may not be made without*

*authorization by the board of directors. The board may withhold authorization for any reason in its sole discretion. A redemption or repurchase is treated as a distribution for purposes of Section 83 of this Act.*

➔SECTION 83. A NEW SECTION OF SUBCHAPTER 10 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *A limited cooperative association may not make a distribution if, after the distribution:*
  - (a) *The association would not be able to pay its debts as they become due in the ordinary course of the association's activities;*
  - (b) *The association's assets would be less than the sum of its total liabilities; or*
  - (c) *The distribution violates the organic rules.*
- (2) *A limited cooperative association may base a determination that a distribution is not prohibited under subsection (1) of this section on financial statements prepared on the basis of accounting practices and principles that are reasonable in the circumstances or on a fair valuation or other method that is reasonable in the circumstances.*
- (3) *Except as otherwise provided in subsection (4) of this section, the effect of a distribution allowed under subsection (2) of this section is measured:*
  - (a) *In the case of distribution by purchase, redemption, or other acquisition of financial rights in the limited cooperative association, as of the date money or other property is transferred or debt is incurred by the association; and*
  - (b) *In all other cases, as of the date:*
    1. *The distribution is authorized, if the payment occurs not later than one hundred twenty (120) days after that date; or*
    2. *The payment is made, if payment occurs more than one hundred twenty (120) days after the distribution is authorized.*
- (4) *If indebtedness is issued as a distribution, each payment of principal or interest on the indebtedness is treated as a distribution, the effect of which is measured on the date the payment is made.*
- (5) *For purposes of this section, "distribution" does not include reasonable amounts paid to a member in the ordinary course of business as payment or compensation for commodities, goods, past or present services, or reasonable payments made in the ordinary course of business under a bona fide retirement or other benefits program.*

➔SECTION 84. A NEW SECTION OF SUBCHAPTER 10 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *A director who consents to a distribution that violates Section 83 of this Act is personally liable to the limited cooperative association for the amount of the distribution which exceeds the amount that could have been distributed without the violation if it is established that in consenting to the distribution the director failed to comply with Section 71 of this Act.*
- (2) *A member or transferee of financial rights which received a distribution knowing that the distribution was made in violation of Section 83 of this Act is personally liable to the limited cooperative association to the extent the distribution exceeded the amount that could have been properly paid.*
- (3) *A director against whom an action is commenced under subsection (1) of this section may:*
  - (a) *Implement in the action any other director who is liable under subsection (1) of this section and compel contribution from the person; and*
  - (b) *Implement in the action any person that is liable under subsection (2) of this section and compel contribution from the person in the amount the person received as described in subsection (2) of this section.*
- (4) *An action under this section is barred if it is commenced later than two (2) years after the distribution.*

➔SECTION 85. SUBCHAPTER 11 OF KRS CHAPTER 272A IS ESTABLISHED, AND A NEW SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

- (1) *A person has the power to dissociate as a member at any time, rightfully or wrongfully, by express will.*

- (2) *Unless the organic rules otherwise provide, a member's dissociation from a limited cooperative association is wrongful only if the dissociation:*
- (a) *Breaches an express provision of the organic rules; or*
  - (b) *Occurs before the termination of the limited cooperative association and:*
    - 1. *The person is expelled as a member under subsection (4)(c) or (d) of this section; or*
    - 2. *In the case of a person that is not an individual, trust other than a business trust, or estate, the person is expelled or otherwise dissociated as a member because it dissolved or terminated in bad faith.*
- (3) *Unless the organic rules otherwise provide, a person that wrongfully dissociates as a member is liable to the limited cooperative association for damages caused by the dissociation. The liability is in addition to any other debt, obligation, or liability of the person to the association.*
- (4) *A member is dissociated from the limited cooperative association as a member when:*
- (a) *The association receives notice in a record of the member's express will to dissociate as a member, or if the member specifies in the notice an effective date later than the date the association received notice, on that later date;*
  - (b) *An event stated in the organic rules as causing the member's dissociation as a member occurs;*
  - (c) *The member is expelled as a member under the organic rules;*
  - (d) *The member is expelled as a member by the board of directors because:*
    - 1. *It is unlawful to carry on the association's activities with the member as a member;*
    - 2. *There has been a transfer of all the member's financial rights in the association, other than:*
      - a. *A creation or perfection of a security interest; or*
      - b. *A charging order in effect under Section 49 of this Act which has not been foreclosed;*
    - 3. *The member is a limited liability company, association, or partnership, which has been dissolved, and its business is being wound up;*
    - 4. *The member is a corporation or cooperative and:*
      - a. *The member filed articles of dissolution or the equivalent, or the jurisdiction of formation revoked its charter or right to conduct business;*
      - b. *The association sends a notice to the member that it will be expelled as a member for a reason described in subdivision a. of this subparagraph; and*
      - c. *Not later than ninety (90) days after the notice was sent under subdivision b. of this subparagraph, the member did not revoke its articles of dissolution or the equivalent, or the jurisdiction of formation did not reinstate the corporation's or cooperative's charter or right to conduct business; or*
    - 5. *The member is an individual and is adjudged incompetent;*
  - (e) *In the case of a member who is an individual, the individual dies;*
  - (f) *In the case of a member that is a trust or is acting as a member by virtue of being a trustee of a trust, all the trust's financial rights in the association are distributed;*
  - (g) *In the case of a member that is an estate, the estate's entire financial interest in the association is distributed;*
  - (h) *In the case of a member that is not an individual, partnership, limited liability company, cooperative, corporation, trust, or estate, the member is terminated; or*
  - (i) *The association's participation in a merger if, under the plan of merger, the member ceases to be a member.*

➔SECTION 86. A NEW SECTION OF SUBCHAPTER 11 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Upon a member's dissociation:*
- (a) *Subject to Section 87 of this Act, the person has no further rights as a member; and*
  - (b) *Subject to Section 87 of this Act and Subchapter 16 of this chapter, any financial rights owned by the person in the person's capacity as a member immediately before dissociation are owned by the person as a transferee.*
- (2) *A person's dissociation as a member does not of itself discharge the person from any debt, obligation, or liability to the limited cooperative association which the person incurred under the organic rules, by contract, or by other means while a member.*

➔SECTION 87. A NEW SECTION OF SUBCHAPTER 11 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*Unless the organic rules provide for greater rights, if a member is dissociated because of death or is expelled by reason of being adjudged incompetent, the member's personal representative or other legal representative may exercise the rights of a transferee of the member's financial rights and, for purposes of settling the estate of a deceased member, may exercise the informational rights of a current member to obtain information under Section 33 of this Act.*

➔SECTION 88. SUBCHAPTER 12 OF KRS CHAPTER 272A IS ESTABLISHED, AND A NEW SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

*A limited cooperative association is dissolved only as provided in this subchapter and upon dissolution winds up in accordance with.*

➔SECTION 89. A NEW SECTION OF SUBCHAPTER 12 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*Except as otherwise provided in Sections 90 and 91 of this Act, a limited cooperative association is dissolved and its activities shall be wound up:*

- (1) *Upon the occurrence of an event or at a time specified in the articles of association;*
- (2) *Upon the action of the association's organizers, board of directors, or members under Section 91 or 92 of this Act; or*
- (3) *Ninety (90) days after the dissociation of a member, which results in the association having one (1) patron member and no other members, unless the association:*
  - (a) *Has a sole member that is a cooperative; or*
  - (b) *Not later than the end of the ninety (90) day period, admits at least one (1) member in accordance with the organic rules and has at least two (2) members, at least one (1) of which is a patron member.*

➔SECTION 90. A NEW SECTION OF SUBCHAPTER 12 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *The appropriate court may dissolve a limited cooperative association or order any action that under the circumstances is appropriate and equitable:*
  - (a) *In a proceeding initiated by the Attorney General, if:*
    - 1. *The association obtained its articles of association through fraud; or*
    - 2. *The association has continued to exceed or abuse the authority conferred upon it by law; or*
  - (b) *In a proceeding initiated by a member if:*
    - 1. *The directors are deadlocked in the management of the association's affairs, the members are unable to break the deadlock, and irreparable injury to the association is occurring or is threatened because of the deadlock;*
    - 2. *The directors or those in control of the association have acted, are acting, or will act in a manner that is illegal, oppressive, or fraudulent;*
    - 3. *The members are deadlocked in voting power and have failed to elect successors to directors whose terms have expired for two (2) consecutive periods during which annual members meetings were held or were to be held; or*

4. *The assets of the association are being misapplied or wasted.*
- (2) *The clerk of the court shall deliver a certified copy of the decree of dissolution to the Secretary of State, who shall file it. The dissolution shall be effective upon the latter of the date specified by the court or the filing of the decree of dissolution by the Secretary of State.*
- (3) *After entering the decree of dissolution, the appropriate court shall direct the winding up and liquidation of the business and affairs of the limited cooperative association and the notification of claimants in accordance with this chapter.*

➔SECTION 91. A NEW SECTION OF SUBCHAPTER 12 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

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

➔SECTION 92. A NEW SECTION OF SUBCHAPTER 12 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Except as otherwise provided in Section 91 of this Act, for a limited cooperative association to voluntarily dissolve:*
- (a) *A resolution to dissolve shall be approved by a majority vote of the board of directors unless a greater percentage is required by the organic rules;*
- (b) *The board of directors shall call a members meeting to consider the resolution, to be held not later than ninety (90) days after adoption of the resolution; and*
- (c) *The board of directors shall mail or otherwise transmit or deliver to each member in a record that complies with Section 36 of this Act:*
1. *The resolution required by paragraph (a) of this subsection;*
  2. *A recommendation that the members vote in favor of the resolution or, if the board determines that because of conflict of interest or other special circumstances it should not make a favorable recommendation, the basis of that determination; and*
  3. *Notice of the members meeting, which shall be given in the same manner as notice of a special meeting of members.*
- (2) *Subject to subsection (3) of this section, a resolution to dissolve shall be approved by:*
- (a) *At least two-thirds (2/3) of the voting power of members present at a members meeting called under subsection (1)(b) of this section; and*
- (b) *If the limited cooperative association has investor members, at least a majority of the votes cast by patron members, unless the organic rules require a greater percentage.*
- (3) *The organic rules may require that the percentage of votes under subsection (2)(b) of this section is:*
- (a) *A different percentage that is not less than a majority of members voting at the meeting; or*
- (b) *Measured against the voting power of all members; or*
- (c) *A combination of paragraphs (a) and (b) of this subsection.*

➔SECTION 93. A NEW SECTION OF SUBCHAPTER 12 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *A limited cooperative association continues after dissolution only for purposes of winding up its activities.*
- (2) *In winding up a limited cooperative association's activities, the board of directors shall cause the association to:*
- (a) *Discharge its liabilities, settle and close its activities, and marshal and distribute its assets;*
- (b) *Preserve the association or its property as a going concern for no more than a reasonable time;*
- (c) *Prosecute and defend actions and proceedings;*
- (d) *Transfer association property; and*

- (e) *Perform other necessary acts.*
- (3) *After dissolution and upon application of a limited cooperative association, a member, or a holder of financial rights, the appropriate court may order judicial supervision of the winding up of the association, including the appointment of a person to wind up the association's activities, if:*
  - (a) *After a reasonable time, the association has not wound up its activities; or*
  - (b) *The applicant establishes other good cause.*
- (4) *If a person is appointed pursuant to subsection (3) of this section to wind up the activities of a limited cooperative association, the association shall promptly deliver to the Secretary of State for filing an amendment to the articles of association to reflect the appointment.*
- (5) *Dissolution of a limited cooperative association shall not abate or suspend Section 32 or 55 of this Act.*

➔SECTION 94. A NEW SECTION OF SUBCHAPTER 12 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *In winding up a limited cooperative association's business, the association shall apply its assets to discharge its obligations to creditors, including members that are creditors. The association shall apply any remaining assets to pay in money the net amount distributable to members in accordance with their right to distributions under subsection (2) of this section.*
- (2) *Unless the organic rules otherwise provide, in this section "financial interests" means the amounts recorded in the names of members in the records of a limited cooperative association at the time a distribution is made, including amounts paid to become a member, amounts allocated but not distributed to members, and amounts of distributions authorized but not yet paid to members. Unless the organic rules otherwise provide, each member is entitled to a distribution from the association of any remaining assets in the proportion of the member's financial interests to the total financial interests of the members after all other obligations are satisfied.*

➔SECTION 95. A NEW SECTION OF SUBCHAPTER 12 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Subject to subsection (4) of this section, a dissolved limited cooperative association may dispose of the known claims against it by following the procedure in subsections (2) and (3) of this section.*
- (2) *A dissolved limited cooperative association may notify its known claimants of the dissolution in a record. The notice shall:*
  - (a) *Provide the name of the association;*
  - (b) *Specify that a claim be in a record;*
  - (c) *Specify the information required to be included in the claim;*
  - (d) *Provide an address to which the claim must be sent;*
  - (e) *State the deadline for receipt of the claim, which may not be less than one hundred twenty (120) days after the date the notice is received by the claimant; and*
  - (f) *State that the claim will be barred if not received by the deadline.*
- (3) *A claim against a dissolved limited cooperative association is barred if the requirements of subsection (2) of this section are met, and:*
  - (a) *The association is not notified of the claimant's claim, in a record, by the deadline specified in the notice under subsection (2)(e) of this section;*
  - (b) *In the case of a claim that is timely received but rejected by the association, the claimant does not commence an action to enforce the claim against the association within ninety (90) days after receipt of the notice of the rejection; or*
  - (c) *If a claim is timely received but is neither accepted nor rejected by the association within one hundred twenty (120) days after the deadline for receipt of claims, the claimant does not commence an action to enforce the claim against the association within ninety (90) days after the one hundred twenty (120) day period.*

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

➔SECTION 96. A NEW SECTION OF SUBCHAPTER 12 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *A dissolved limited cooperative association may publish notice of its dissolution and request persons having claims against the association to present them in accordance with the notice.*
- (2) *A notice under subsection (1) of this section shall:*
- (a) *Be published at least once in a newspaper of general circulation in the county in which the dissolved limited cooperative association's principal office is located or, if the association does not have a principal office in the Commonwealth, in the county in which the association's registered office is or was last located;*
  - (b) *Provide the name of the association and describe the information required to be contained in a claim and provide an address to which the claim is to be sent; and*
  - (c) *State that a claim against the association is barred unless an action to enforce the claim is commenced not later than two (2) years after publication of the notice.*
- (3) *If a dissolved limited cooperative association publishes a notice in accordance with subsection (2) of this section, the claim of each of the following claimants is barred unless the claimant commences an action to enforce the claim not later than three (3) years after the first publication date of the notice:*
- (a) *A claimant that is entitled to but did not receive notice in a record under Section 95 of this Act; or*
  - (b) *A claimant whose claim is contingent or based on an event occurring after the effective date of dissolution.*
- (4) *A claim not barred under this section may be enforced:*
- (a) *Against a dissolved limited cooperative association, to the extent of its undistributed assets; or*
  - (b) *If the association's assets have been distributed in connection with winding up, against a member or holder of financial rights to the extent of that person's proportionate share of the claim or the association's assets distributed to the person in connection with the winding up, whichever is less. The person's total liability for all claims under this paragraph shall not exceed the total amount of assets distributed to the person as part of the winding up of the association.*

➔SECTION 97. A NEW SECTION OF SUBCHAPTER 12 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Upon application by a dissolved limited cooperative association that has published a notice under Section 96 of this Act, the appropriate court may determine the amount and form of security to be provided for payment of claims against the association that are contingent, have not been made known to the association, or are based on an event occurring after the effective date of dissolution but that, based on the facts known to the association, are reasonably anticipated to arise after the effective date of dissolution.*
- (2) *Not later than ten (10) days after filing an application under subsection (1) of this section, a dissolved limited cooperative association shall give notice of the proceeding to each known claimant holding a contingent claim.*
- (3) *The court may appoint a guardian ad litem in a proceeding brought under this section to represent all claimants whose identities are unknown, including those whose claims are contingent or based upon an event occurring after the effective date of dissolution. The dissolved limited cooperative association shall pay reasonable fees and expenses of the representative, including all reasonable attorney and expert witness fees.*
- (4) *Provision by the dissolved limited cooperative association for security in the amount and the form ordered by the court satisfies the association's obligations with respect to claims that are contingent, have not been made known to the association, or are based on an event occurring after the effective date of dissolution, and the claims may not be enforced against a member that received a distribution.*

➔SECTION 98. A NEW SECTION OF SUBCHAPTER 12 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *A limited cooperative association that has dissolved shall deliver to the Secretary of State for filing articles of dissolution that state:*
- (a) *The name of the association;*
  - (b) *The date the association dissolved; and*
  - (c) *Any other information the association considers relevant.*
- (2) *A person has notice of a limited cooperative association's dissolution on the later of:*
- (a) *Ninety (90) days after a statement of dissolution is filed; or*
  - (b) *Actual notice of the articles of dissolution.*
- (3) *This section does not apply upon the judicial dissolution of a limited cooperative association pursuant to Section 90 of this Act or administrative dissolution pursuant to Subchapter 7 of KRS Chapter 14A.*

➔SECTION 99. SUBCHAPTER 13 OF KRS CHAPTER 272A IS ESTABLISHED, AND A NEW SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

*A member may maintain a derivative action to enforce a right of a limited cooperative association if:*

- (1) *The member demands that the association bring an action to enforce the right; and*
- (2) *Any of the following occur:*
  - (a) *The association does not, within ninety (90) days after the member makes the demand, agree to bring the action;*
  - (b) *The association notifies the member that it has rejected the demand;*
  - (c) *Irreparable harm to the association would result by waiting ninety (90) days after the member makes the demand; or*
  - (d) *The association agrees to bring an action demanded and fails to bring the action within a reasonable time.*

➔SECTION 100. A NEW SECTION OF SUBCHAPTER 13 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *A derivative action to enforce a right of a limited cooperative association may be maintained only by a person that:*
  - (a) *Is a member or a dissociated member at the time the action is commenced and:*
    - 1. *Was a member when the conduct giving rise to the action occurred; or*
    - 2. *Whose status as a member devolved upon the person by operation of law or the organic rules from a person that was a member at the time of the conduct; and*
  - (b) *Adequately represents the interests of the association.*
- (2) *If the sole plaintiff in a derivative action dies while the action is pending, the court may permit another member who meets the requirements of subsection (1) of this section to be substituted as plaintiff.*

➔SECTION 101. A NEW SECTION OF SUBCHAPTER 13 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*In a derivative action to enforce a right of a limited cooperative association, the complaint shall be verified and shall state:*

- (1) *The date and content of the plaintiff's demand under subsection (1) of Section 99 of this Act and the association's response;*
- (2) *If ninety (90) days have not expired since the demand, how irreparable harm to the association would result by waiting for the expiration of ninety (90) days; and*
- (3) *If the association agreed to bring an action demanded, that the action has not been brought within a reasonable time.*

➔SECTION 102. A NEW SECTION OF SUBCHAPTER 13 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:



*A derivative action to enforce a right of a limited cooperative association may not be discontinued or settled without the court's approval.*

➔SECTION 103. A NEW SECTION OF SUBCHAPTER 13 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Except as otherwise provided in subsection (2) of this section:*
  - (a) *Any proceeds or other benefits of a derivative action to enforce a right of a limited cooperative association, whether by judgment, compromise, or settlement, belong to the association and not to the plaintiff; and*
  - (b) *If the plaintiff in the derivative action receives any proceeds, the plaintiff shall immediately remit them to the association.*
- (2) *On termination of the proceeding, the court may:*
  - (a) *Require the plaintiff to pay any defendant's reasonable expenses, including counsel fees, incurred in defending the proceeding to the extent it finds that the proceeding or any portion thereof was commenced without reasonable cause or for an improper purpose; and*
  - (b) *Require the association to pay the plaintiff's reasonable expenses, including counsel fees, incurred in the proceeding if it finds that the proceeding has resulted in a substantial benefit to the association.*

➔SECTION 104. SUBCHAPTER 14 OF KRS CHAPTER 272A IS ESTABLISHED, AND A NEW SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

- (1) *The laws of the state or other jurisdiction under which a foreign limited cooperative association is organized govern relations among the members of the foreign cooperative and between the members and the foreign cooperative.*
- (2) *A foreign limited cooperative association shall be subject to KRS Chapter 14A.*
- (3) *A foreign limited cooperative association shall not be denied a certificate of authority because of any difference between the laws of the jurisdiction under which the foreign cooperative is organized and the law of this Commonwealth.*

➔SECTION 105. A NEW SECTION OF SUBCHAPTER 14 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*The Attorney General may maintain an action to restrain a foreign limited cooperative association from transacting business in this Commonwealth in violation of this chapter.*

➔SECTION 106. SUBCHAPTER 15 OF KRS CHAPTER 272A IS ESTABLISHED, AND A NEW SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

*Unless the articles of association otherwise provide, member approval under Section 107 of this Act is not required for a limited cooperative association to:*

- (1) *Sell, lease, exchange, license, or otherwise dispose of all or any part of the assets of the association in the usual and regular course of business; or*
- (2) *Mortgage, pledge, dedicate to the repayment of indebtedness, or encumber in any way all or any part of the assets of the association, whether or not in the usual and regular course of business.*

➔SECTION 107. A NEW SECTION OF SUBCHAPTER 15 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*A sale, lease, exchange, license, or other disposition of assets of a limited cooperative association, other than a disposition described in Section 106 of this Act, requires approval of the association's members under Sections 108 and 109 of this Act if the disposition leaves the association without significant continuing business activity.*

➔SECTION 108. A NEW SECTION OF SUBCHAPTER 15 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*For a limited cooperative association to dispose of assets under Section 107 of this Act:*

- (1) *A majority of the board of directors, or a greater percentage if required by the organic rules, shall approve the proposed disposition; and*

- (2) *The board of directors shall call a members meeting to consider the proposed disposition, hold the meeting not later than ninety (90) days after approval of the proposed disposition by the board, and mail or otherwise transmit or deliver in a record to each member:*
- (a) *The terms of the proposed disposition;*
  - (b) *A recommendation that the members approve the disposition, or if the board determines that because of conflict of interest or other special circumstances it should not make a favorable recommendation, the basis for that determination;*
  - (c) *A statement of any condition of the board's submission of the proposed disposition to the members; and*
  - (d) *Notice of the meeting at which the proposed disposition will be considered, which shall be given in the same manner as notice of a special meeting of members.*

➔SECTION 109. A NEW SECTION OF SUBCHAPTER 15 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Subject to subsection (2) of this section, a disposition of assets under Section 107 of this Act shall be approved by:*
- (a) *At least two-thirds (2/3) of the voting power of members present at a members meeting called under subsection (2) of Section 108 of this Act; and*
  - (b) *If the limited cooperative association has investor members, at least a majority of the votes cast by patron members, unless the organic rules require a greater percentage vote by patron members.*
- (2) *The organic rules may require that the percentage of votes under subsection (1)(a) of this section is:*
- (a) *A different percentage that is not less than a majority of members voting at the meeting;*
  - (b) *Measured against the voting power of all members; or*
  - (c) *A combination of paragraphs (a) and (b) of this subsection.*
- (3) *Subject to any contractual obligations, after a disposition of assets is approved and at any time before the consummation of the disposition, a limited cooperative association may approve an amendment to the contract for disposition or the resolution authorizing the disposition or approve abandonment of the disposition:*
- (a) *As provided in the contract or the resolution; and*
  - (b) *Except as prohibited by the resolution, with the same affirmative vote of the board of directors and of the members as was required to approve the disposition.*
- (4) *The voting requirements for districts, classes, or voting groups under Section 26 of this Act apply to approval of a disposition of assets under this subchapter.*

➔SECTION 110. SUBCHAPTER 16 OF KRS CHAPTER 272A IS ESTABLISHED, AND A NEW SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

*As used in this subchapter, unless the context otherwise requires:*

- (1) *"Constituent entity" means an entity that is a party to a merger;*
- (2) *"Constituent limited cooperative association" means a limited cooperative association that is a party to a merger;*
- (3) *"Converted entity" means the limited cooperative association into which a converting entity converts;*
- (4) *"Converting entity" means a foreign entity that converts into a limited cooperative association pursuant to Section 111 in this Act;*
- (5) *"Converting limited cooperative association" means a converting entity that is a limited cooperative association;*
- (6) *"Foreign entity" has the meaning set forth in Section 125 of this Act;*

- (7) *"Organizational documents" means articles of incorporation, bylaws, articles of association, operating agreements, partnership agreements, or other documents serving a similar function in the creation and governance of an entity;*
- (8) *"Personal liability" means personal liability for a debt, liability, or other obligation of an entity imposed, by operation of law or otherwise, on a person that co-owns or has an interest in the entity:*
- (a) *By the entity's organic law solely because of the person co-owning or having an interest in the entity; or*
  - (b) *By the entity's organizational documents under a provision of the entity's organic law authorizing those documents to make one (1) or more specified persons liable for all or specified parts of the entity's debts, liabilities, and other obligations solely because the person co-owns or has an interest in the entity; and*
- (9) *"Surviving entity" means an entity into which one (1) or more other entities are merged, whether the entity existed before the merger or is created by the merger.*

➔SECTION 111. A NEW SECTION OF SUBCHAPTER 16 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*A foreign entity may convert to a limited cooperative association as provided in subsection (6) of Section 123 of this Act.*

➔SECTION 112. A NEW SECTION OF SUBCHAPTER 16 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *A foreign entity that has been converted into a limited cooperative association is for all purposes the same entity that existed before the conversion but, after conversion, it is organized under this chapter and is subject to that law and other law as it applies thereto.*
- (2) *When a conversion takes effect:*
- (a) *All property owned by the converting entity remains vested in the converted entity;*
  - (b) *All debts, liabilities, and other obligations of the converting entity continue as obligations of the converted entity;*
  - (c) *An action or proceeding pending by or against the converting entity may be continued as if the conversion had not occurred;*
  - (d) *Except as prohibited by other law, all the rights, privileges, immunities, powers, and purposes of the converting entity remain vested in the converted entity;*
  - (e) *Except as otherwise provided in the plan of conversion, the terms and conditions of the plan of conversion take effect; and*
  - (f) *Except as otherwise provided in the plan of conversion, the conversion does not dissolve the converting entity.*

➔SECTION 113. A NEW SECTION OF SUBCHAPTER 16 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *One (1) or more limited cooperative associations may merge with one (1) or more other limited cooperative associations, and one (1) or more business corporations or limited liability companies may merge with and into a limited cooperative association pursuant to this subchapter and a plan of merger if:*
- (a) *The governing statute of each of the other entities authorizes the merger;*
  - (b) *The merger is not prohibited by the law of a jurisdiction that enacted any of those governing statutes; and*
  - (c) *Each of the other entities complies with its governing statute in effecting the merger.*
- (2) *A plan of merger shall be in a record and shall include:*
- (a) *The name and form of each constituent entity;*
  - (b) *The name of the surviving entity, which shall be a limited cooperative association, and, if the surviving entity is to be created by the merger, a statement to that effect;*

- (c) *The terms and conditions of the merger, including the manner and basis for converting the interests in each constituent entity into any combination of money, interests in the surviving entity, and other consideration;*
- (d) *If the surviving entity is to be created by the merger, the surviving entity's organic rules;*
- (e) *If the surviving entity is not to be created by the merger, any amendments to be made by the merger to the surviving entity's organic rules; and*
- (f) *If a member of a constituent limited cooperative association will have personal liability with respect to a surviving entity, the identity of the member by descriptive class or other reasonable manner.*

➔SECTION 114. A NEW SECTION OF SUBCHAPTER 16 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *For a limited cooperative association to merge with another entity, a plan of merger shall be approved by a majority vote of the board of directors or a greater percentage if required by the association's organic rules.*
- (2) *The board of directors shall call a members meeting to consider a plan of merger approved by the board, hold the meeting not later than ninety (90) days after approval of the plan by the board, and mail or otherwise transmit or deliver in a record to each member:*
  - (a) *The plan of merger, or a summary of the plan, and a statement of the manner in which a copy of the plan in a record may be reasonably obtained by a member;*
  - (b) *A recommendation that the members approve the plan of merger, or if the board determines that because of conflict of interest or other special circumstances it should not make a favorable recommendation, the basis for that determination;*
  - (c) *A statement of any condition of the board's submission of the plan of merger to the members; and*
  - (d) *Notice of the meeting at which the plan of merger will be considered, which shall be given in the same manner as notice of a special meeting of members.*

➔SECTION 115. A NEW SECTION OF SUBCHAPTER 16 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Subject to subsections (2) and (3) of this section, a plan of merger shall be approved by:*
  - (a) *At least two-thirds (2/3) of the voting power of members present at a members meeting called under subsection (2) of Section 114 of this Act; and*
  - (b) *If the limited cooperative association has investor members, at least a majority of the votes cast by patron members, unless the organic rules require a greater percentage vote by patron members.*
- (2) *The organic rules may provide that the percentage of votes under subsection (1)(a) of this section is:*
  - (a) *A different percentage that is not less than a majority of members voting at the meeting;*
  - (b) *Measured against the voting power of all members; or*
  - (c) *A combination of paragraphs (a) and (b) of this subsection.*
- (3) *The vote required to approve a plan of merger shall not be less than the vote required for the members of the limited cooperative association to amend the articles of association.*
- (4) *Consent in a record to a plan of merger by a member shall be delivered to the limited cooperative association before delivery of articles of merger for filing pursuant to Section 116 of this Act if, as a result of the merger, the member will have:*
  - (a) *Personal liability for an obligation of the association; or*
  - (b) *An obligation or liability for an additional contribution.*
- (5) *Subject to subsection (4) of this section and any contractual rights, after a merger is approved, and at any time before the effective date of the merger, a limited cooperative association that is a party to the merger may approve an amendment to the plan of merger or approve abandonment of the planned merger:*
  - (a) *As provided in the plan; and*

- (b) *Except as prohibited by the plan, with the same affirmative vote of the board of directors and of the members as was required to approve the plan.*
- (6) *The voting requirements for districts, classes, or voting groups under Section 26 of this Act apply to approval of a merger.*

➔SECTION 116. A NEW SECTION OF SUBCHAPTER 16 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *After each constituent entity has approved a merger, articles of merger shall be signed on behalf of each constituent entity by an authorized representative.*
- (2) *The articles of merger shall include:*
- (a) *The name and form of each constituent entity and the jurisdiction of its governing statute;*
  - (b) *The name and form of the surviving entity, the jurisdiction of its governing statute, and, if the surviving entity is created by the merger, a statement to that effect;*
  - (c) *The date the merger is effective under the governing statute of the surviving entity;*
  - (d) *If the surviving entity is to be created by the merger, the limited cooperative association's articles of association;*
  - (e) *If the surviving entity is not created by the merger, any amendments provided for in the plan of merger to its articles of association;*
  - (f) *A statement as to each constituent entity that the merger was approved as required by the entity's governing statute; and*
  - (g) *Any additional information required by the governing statute of any constituent entity.*
- (3) *The limited cooperative association that is the surviving entity to a merger shall deliver the articles of merger to the Secretary of State for filing.*
- (4) *A merger becomes effective upon the articles of merger being effective as provided in KRS 14A.2-070.*

➔SECTION 117. A NEW SECTION OF SUBCHAPTER 16 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*When a merger becomes effective:*

- (1) *The surviving entity continues or comes into existence;*
- (2) *Each constituent entity that merges into the surviving entity ceases to exist as a separate entity;*
- (3) *All property owned by each constituent entity that ceases to exist vests in the surviving entity;*
- (4) *All debts, liabilities, and other obligations of each constituent entity that ceases to exist continue as obligations of the surviving entity;*
- (5) *An action or proceeding pending by or against any constituent entity that ceases to exist may be continued as if the merger had not occurred;*
- (6) *Except as prohibited by law other than this chapter, all rights, privileges, immunities, powers, and purposes of each constituent entity that ceases to exist vest in the surviving entity;*
- (7) *Except as otherwise provided in the plan of merger, the terms and conditions of the plan take effect;*
- (8) *Except as otherwise provided in the plan of merger, if a merging limited cooperative association ceases to exist, the merger does not dissolve the association for purposes of Subchapter 12 of this chapter;*
- (9) *If the surviving entity is created by the merger, the articles of association become effective; and*
- (10) *If the surviving entity is not created by the merger, any amendments made by the articles of merger for the organic rules of the surviving entity become effective.*

➔SECTION 118. A NEW SECTION OF SUBCHAPTER 16 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *Constituent entities that are limited cooperative associations or foreign cooperatives may agree to call a merger a consolidation.*

- (2) *All provisions governing mergers or using the term merger in this chapter apply equally to mergers that the constituent entities choose to call consolidations under subsection (1) of this section.*

➔SECTION 119. A NEW SECTION OF SUBCHAPTER 16 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*This subchapter shall not prohibit a limited cooperative association from being converted or merged pursuant to other law of the Commonwealth of Kentucky.*

➔SECTION 120. SUBCHAPTER 17 OF KRS CHAPTER 272A IS ESTABLISHED, AND A NEW SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

*In applying and construing the Kentucky Uniform Limited Cooperative Association Act, consideration shall be given to the need to promote uniformity of the law with respect to its subject matter among states that enact it.*

➔SECTION 121. A NEW SECTION OF SUBCHAPTER 17 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*This chapter modifies, limits, or supersedes, the federal Electronic Signatures in Global and National Commerce Act, 15 U.S.C. secs. 7001 et seq., but does not modify, limit, or supersede Section 101(c) of that act, 15 U.S.C. sec. 7001(c), or authorize electronic delivery of any of the notices described in Section 103(b) of that act, 15 U.S.C. sec. 7003(b).*

➔SECTION 122. A NEW SECTION OF SUBCHAPTER 17 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

*This chapter shall not affect an action or proceeding commenced, or right accrued, before the effective date of this Act.*

➔SECTION 123. A NEW SECTION OF SUBCHAPTER 17 OF KRS CHAPTER 272A IS CREATED TO READ AS FOLLOWS:

- (1) *This chapter does not limit, prohibit, or invalidate the existence, acts, or obligations of any cooperative or association created or doing business in this Commonwealth before, on, or after the effective date of this Act.*
- (2) *A cooperative or association formed under KRS Chapter 272, until or unless it becomes a limited cooperative association under this chapter, shall be governed by KRS Chapter 272.*
- (3) *The enactment of this chapter shall not impair, or otherwise affect, the organization or the continued existence of a cooperative association existing on the effective date of this Act.*
- (4) *This chapter governs only:*
  - (a) *A limited cooperative association formed on or after the effective date of this Act; and*
  - (b) *A cooperative or association with shares which elects, in the manner provided in its articles of incorporation or by law for amending the articles of incorporation, to be subject to this chapter.*
- (5) *A cooperative or association with shares formed under KRS Chapter 272 may elect to become subject to this chapter by a consent sufficient to amend the articles of incorporation. Thereafter the cooperative or association with shares shall file amended and restated articles of association which comply with Section 20 of this Act and that further set forth:*
  - (a) *The name of the cooperative or association with shares as set forth in its articles of incorporation;*
  - (b) *The date of filing of its articles of incorporation;*
  - (c) *An affirmative election by the cooperative or association with shares to be subject to this chapter; and*
  - (d) *An affirmative statement that the election was approved as required by this subsection.*
- (6) *A cooperative, association, limited liability company or corporation formed in a jurisdiction other than the Commonwealth of Kentucky may elect to be subject to this chapter by a consent sufficient to amend its articles of incorporation, articles of association, or equivalent filing under the laws of its jurisdiction of formation. Thereafter, the foreign entity shall file amended and restated articles of association which comply with Section 20 of this Act and further set forth:*
  - (a) *The name of the foreign entity;*

- (b) *The previous jurisdiction of organization;*
  - (c) *An affirmative election by the foreign entity to be subject to this chapter; and*
  - (d) *A statement that the election to be governed by this chapter is effective under the law and agreements governing the foreign entity prior to becoming subject to this chapter.*
- (7) *An election pursuant to subsection (5) or (6) of this section is effective upon the effective time and date of the amended and restated articles of association as provided in KRS 14A.2-070.*

➔Section 124 KRS 292.400 is amended to read as follows:

KRS 292.340 to 292.390 shall not apply to any of the following:

- (1) Any security, including a revenue obligation, issued or guaranteed by the United States, any state, any political subdivision of a state, or any agency or corporate or other instrumentality of one (1) or more of the foregoing; or any certificate of deposit for any of the foregoing;
- (2) Any security issued or guaranteed by Canada, any Canadian province, any political subdivision of any such province, any agency or corporate or other instrumentality of one (1) or more of the foregoing, or any other foreign government with which the United States currently maintains diplomatic relations, if the security is recognized as a valid obligation by the issuer or guarantor;
- (3) Any security issued by and representing an interest in or a debt of, or guaranteed by, any bank organized under the laws of the United States, or any bank, savings institutions, or trust company organized and supervised under the laws of any state;
- (4) Any security issued by and representing an interest in or a debt of, or guaranteed by, any federal savings and loan association, or any building and loan or similar association organized under the laws of any state and authorized to do business in this state;
- (5) Securities issued by corporations formed under KRS Chapter 279;
- (6) Any security issued or guaranteed by any federal credit union or any credit union;
- (7) Any security issued or guaranteed by any common carrier, public utility, or holding company which is:
  - (a) A registered holding company under the Public Utility Holding Company Act of 1935 or a subsidiary of such a company within the meaning of that act;
  - (b) Regulated in respect of its rates and charges by a governmental authority of the United States or any state or municipality; or
  - (c) Regulated in respect of the issuance or guarantee of the security by a governmental authority of the United States, any state, Canada, or any Canadian province;
- (8) Any security listed or approved for listing upon notice of issuance on the New York Stock Exchange, the American Stock Exchange, the Chicago Stock Exchange, the Pacific Stock Exchange, the Philadelphia Stock Exchange, the Chicago Board Options Exchange, or any other stock exchange approved by the commissioner; any other security of the same issuer which is of senior or substantially equal rank; any security called for by subscription rights or warrants so listed or approved; or any warrant or right to purchase or subscribe to any of the foregoing. This exemption is available only for securities listed on Tier I of those exchanges having more than one (1) tier;
- (9) Any security issued by any person organized and operated not for private profit but exclusively for religious, educational, benevolent, charitable, fraternal, social, athletic, or reformatory purposes, or as a chamber of commerce or trade or professional association;
- (10) Any commercial paper which arises out of a current transaction or the proceeds of which have been or are to be used for current transactions, and which evidence an obligation to pay cash within nine (9) months of the date of issuance, exclusive of days of grace, or any renewal of the paper which is likewise limited, or any guarantee of the paper or of any renewal;
- (11) Any security issued in connection with an employee stock purchase, stock option, savings, pension, profit-sharing, or similar benefit plan, including any underlying security. For those plans that do not qualify under Section 401 of the Internal Revenue Code and that provide for contribution by employees, the securities are exempt if a notice specifying the terms of the plan is filed with the commissioner before the securities are issued or before December 31, 1998, and the commissioner does not disallow the exemption within the next

five (5) business days. The commissioner may, by rule, modify any requirement for a specific class of issuers or impose additional requirements for this exemption or waive any requirement;

- (12) Securities issued by corporations formed under or which have adopted the provisions of KRS 272.101 to 272.345 and patronage dividends or refunds be they in the form of stock, book equities, letters of credit, or letters of advice issued by any agricultural cooperative association which are the result of distributable earnings or savings;
- (13) Memberships and voting stock issued by cooperative corporations formed under or which have adopted the provisions of KRS 272.020 to 272.044, and patronage refunds issued by cooperative corporations which are the result of distributable earnings or savings;
- (14) Any security for which the commissioner expressly by rule or order finds that registration is not necessary or appropriate in the public interest or for the protection of investors;~~or~~
- (15) Any security issued by and representing an interest in or a debt of, or guaranteed by, any insurance company organized under the laws of any state and authorized to do business in this state; **or**
- (16) ***A patron member's interest issued by a limited cooperative association and all patronage refunds issued thereby.***

➔Section 125. KRS 14A.1-070 is amended to read as follows:

As used in this chapter, unless the context otherwise requires:

- (1) "Business" includes every trade, occupation, and profession;
- (2) "Corporation" means a business corporation governed as to its internal affairs by KRS Chapter 271B, a cooperative or association governed as to its internal affairs by KRS Chapter 272, a nonprofit corporation governed as to its internal affairs by KRS Chapter 273, and a rural electric or rural telephone cooperative corporation governed as to its internal affairs by KRS Chapter 279;
- (3) "Business trust" means a business trust governed as to its internal affairs by KRS Chapter 386;
- (4) "Debtor in bankruptcy" means a person who is the subject of:
  - (a) An order for relief under Title 11 of the United States Code or a comparable order under a successor statute of general application; or
  - (b) A comparable order under federal, state, or foreign law governing insolvency;
- (5) "Deliver" or "delivery" means any method of delivery used in conventional commercial practice, including delivery by hand, mail, commercial delivery, and electronic transmission;
- (6) "Electronic transmission" or "electronically transmitted" means any process of communication not directly involving the physical transfer of paper that is suitable for the retention, retrieval, and reproduction of information by the recipient;
- (7) "Entity" means a corporation, business trust, partnership, limited partnership, or limited liability company, governed as to its internal affairs by the laws of the Commonwealth of Kentucky;
- (8) "Foreign business trust" means a business or statutory trust not governed as to its internal affairs by KRS Chapter 386;
- (9) "Foreign corporation" means a corporation as defined in subsection (2) of this section that is not:
  - (a) Organized pursuant to the laws of the Commonwealth of Kentucky; or
  - (b) As to its internal affairs, governed by the laws of the Commonwealth of Kentucky;
- (10) "Foreign entity" means a corporation, not-for-profit corporation, cooperative, association, business or statutory trust, partnership, limited partnership, or limited liability company not:
  - (a) Organized pursuant to the laws of the Commonwealth of Kentucky; or
  - (b) As to its internal affairs, governed by the laws of the Commonwealth of Kentucky;
- (11) ***"Foreign limited cooperative association" means a limited cooperative association that is not:***
  - (a) ***Organized pursuant to the laws of the Commonwealth of Kentucky; or***
  - (b) ***As to its internal affairs, governed by the laws of the Commonwealth of Kentucky;***



- (12) "Foreign limited liability partnership" means a partnership that:
- (a) Is formed under laws other than the laws of this Commonwealth; and
  - (b) Has the status of a limited liability partnership under those laws;
- (13)~~(12)~~ "Foreign professional service corporation" has the same meaning as in KRS 274.005;
- (14)~~(13)~~ "Foreign rural electric cooperative" means a rural electric cooperative organized otherwise than under KRS 279.010 to 279.210;
- (15)~~(14)~~ "Foreign rural telephone cooperative" means a rural telephone cooperative organized otherwise than under KRS 279.310 to 279.990 excepting 279.570;
- (16)~~(15)~~ "Good standing" means that all annual reports which are required to be received from an entity or foreign entity have been delivered to and filed by the Secretary of State, that all other lawfully required statutory documentation has been received and filed, and that all fees, costs, and expenses, including penalties incurred in connection therewith, have been paid;
- (17) "**Limited cooperative association**" means a limited cooperative association governed as to its affairs by KRS Chapter 272A;
- (18)~~(16)~~ "Limited liability company" has the same meaning as in KRS 275.015;
- (19)~~(17)~~ "Limited liability partnership" means a partnership that has filed a statement of qualification under KRS 362.1-1001 or a registration as a registered limited liability partnership under KRS 362.555 and does not have a similar statement of registration in effect in any other jurisdiction;
- (20)~~(18)~~ "Name of record with the Secretary of State" means any real, fictitious, reserved, registered, or assumed name of an entity or foreign entity;
- (21)~~(19)~~ "Nonprofit corporation," other than in the term "foreign nonprofit corporation," means a nonprofit corporation incorporated pursuant to and governed as to its internal affairs by KRS Chapter 273 or predecessor law;
- (22)~~(20)~~ "Organic act" means the law of a state or other jurisdiction governing the organization and internal affairs of an entity or foreign entity;
- (23)~~(21)~~ "Organized" means organized, incorporated, or formed;
- (24)~~(22)~~ "Organizational filing" means a filing made with the Secretary of State as a precondition to the formation, organization, or incorporation of an entity, including articles of incorporation, articles of organization, *articles of association*, and certificates of limited partnership. A statement of qualification filed pursuant to KRS 362.1-1101 or a registration as a limited liability partnership filed pursuant to KRS 362.555 is not an organizational filing;
- (25)~~(23)~~ "Partnership" means an association of two (2) or more persons to carry on as co-owners a business for profit formed under KRS 362.1-202, predecessor law, or comparable law of another jurisdiction;
- (26)~~(24)~~ "Partnership agreement" means the agreement, whether written, oral, or implied, among the partners concerning the partnership, including amendments to the partnership agreement;
- (27)~~(25)~~ "Person" means an individual, an entity, a foreign entity, or any other legal or commercial entity;
- (28)~~(26)~~ "Principal office" means the address required by this chapter or the organic act to be of record with the Secretary of State as the principal office, the principal place of business address, the designated office of a limited partnership, or the chief executive office of a limited liability partnership;
- (29)~~(27)~~ "Professional service corporation" has the same meaning as in KRS 274.005;
- (30)~~(28)~~ "Professional services" means the personal services rendered by physicians, osteopaths, optometrists, podiatrists, chiropractors, dentists, nurses, pharmacists, psychologists, occupational therapists, veterinarians, engineers, architects, landscape architects, certified public accountants, public accountants, physical therapists, and attorneys;
- (31)~~(29)~~ "Property" means all property, real, personal, or mixed, tangible or intangible, or any interest therein;
- (32)~~(30)~~ "Qualified person" has the same meaning as in KRS 274.005;

- (33)~~(31)~~ "Registered agent" means a registered agent appointed in accordance with KRS 14A.4-010 or predecessor law, and is synonymous with agent for service of process;
- (34)~~(32)~~ "Regulatory board" means the agency that is charged by law with the licensing and regulation of the practice of the profession which the professional partnership is organized to provide;
- (35)~~(33)~~ "Rural electric cooperative" means a rural electric cooperative governed as to its internal affairs by KRS 279.010 to 279.210;
- (36)~~(34)~~ "Rural telephone cooperative" means a rural telephone cooperative governed as to its internal affairs by 279.310 to 279.990 excepting 279.570;
- (37)~~(35)~~ "Sign" or "signature" includes any manual, facsimile, conformed, or electronic signature; and
- (38)~~(36)~~ "State" means a state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, or any territory or insular possession subject to the jurisdiction of the United States.

➔Section 126. KRS 14A.3-010 is amended to read as follows:

- (1) Except as authorized by **subsection (22)**~~subsections (14), (15), and (23)~~ of this section, the real name of an entity or foreign entity shall be distinguishable from any name of record with the Secretary of State.
- (2) The real name of a corporation or nonprofit corporation shall:
  - (a) 1. Contain the word "corporation," "company," or "limited" or the abbreviation "Corp.," "Inc.," "Co.," or "Ltd." or words or abbreviations of like import in another language, provided, however, that if a nonprofit corporation's name includes the word "company" or the abbreviation "Co.," it may not be immediately preceded by the word "and" or the abbreviation "&"; or
  2. If a professional service corporation, shall contain the words "professional service corporation" or the abbreviation "P.S.C."; and
  - (b) Shall not contain language stating or implying that the corporation is organized for a purpose other than that permitted by its organic act and its articles of incorporation.
- (3) The real name of a limited liability company shall contain the phrase "limited liability company" or "limited company" or the abbreviation "LLC" or "LC," provided, however, if the company is a professional limited liability company the name shall contain the phrase "professional limited liability company" or "professional limited company" or the abbreviation "PLLC" or "PLC." In the name of either a limited liability company or a professional limited liability company, the word "limited" may be abbreviated as "Ltd." and the word "Company" may be abbreviated as "Co."
- (4) The real name of a limited liability partnership registered pursuant to KRS 362.555 shall contain the phrase "Registered Limited Liability Partnership" or the abbreviation "LLP" as the last words or letters of its name.
- (5) The real name of a partnership subject to KRS 362.1-101 to 362.1-1205, the "Kentucky Revised Uniform Partnership Act (2006)":
  - (a) Shall not contain the word "corporation" or "incorporated" or the abbreviation "Corp." or "Inc."; and
  - (b) May contain the word "limited" or the abbreviation "Ltd." only if the partnership has filed a statement of qualification.
- (6) The real name of a limited liability partnership that has filed a statement of qualification pursuant to KRS 362.1-1001 shall end with the phrase "Registered Limited Liability Partnership" or "Limited Liability Partnership" or the abbreviation "R.L.L.P.," "L.L.P.," "RLLP," or "LLP."
- (7) The real name of a limited partnership subject to KRS 362.401 to 362.525, the "Kentucky Revised Uniform Limited Partnership Act," shall:
  - (a) Contain the word "Limited" or the abbreviation "Ltd." unless the limited partnership was formed under any statute of the Commonwealth prior to the adoption of the Kentucky Revised Uniform Limited Partnership Act; and
  - (b) Not contain the name of a limited partner unless:
    1. That name is also the name of a general partner; or
    2. The business of the limited partnership had been carried on under that name before the admission of that limited partner.

- (8) The real name of a limited partnership subject to KRS 362.2-102 to 362.2-1207, the "Kentucky Uniform Limited Partnership Act (2006)," that is not a limited liability limited partnership may contain the name of any partner and shall:
- Contain the phrase "limited partnership" or "limited" or the abbreviation "L.P.," "LP," or "Ltd."; and
  - Not contain the phrase "limited liability limited partnership" or the abbreviation "L.L.L.P." or "LLLP."
- (9) The real name of a limited partnership subject to KRS 362.2-102 to 362.2-1207, the "Kentucky Uniform Limited Partnership Act (2006)," that is a limited liability limited partnership may contain the name of any partner and shall:
- Contain the phrase "limited liability limited partnership" or the abbreviation "L.L.L.P." or "LLLP"; and
  - Not contain only the phrase "limited partnership" or the abbreviation "L.P." or "LP."
- (10) Subject to KRS 362.2-1204, subsections (8) and (9) of this section shall not apply to a limited partnership formed under any statute of this Commonwealth prior to July 15, 1988.
- (11) The real name of a rural telephone cooperative corporation:
- Shall contain the word "Telephone," "Telecommunications," "Company," or "Corporation" and the abbreviation "Inc.," unless in an affidavit made by its president or vice president, and filed with the Secretary of State, or in an affidavit made by a person signing articles of incorporation, consolidation, merger, or conversion which relate to that cooperative, and filed, together with any such articles, with the Secretary of State, it shall appear that the cooperative desires to do business in another state and is or would be precluded there from by reason of the inclusion of such words or either thereof in its name; and
  - May include the word "Cooperative."
- (12) The phrase "Rural Electric Cooperative" may not be used in the name of any entity or foreign entity except for one formed under KRS Chapter 279.
- (13) Except as otherwise provided in this section, the word "cooperative" may not be used in the name of any entity doing business for profit in this Commonwealth~~[unless it has complied with the provisions of KRS 272.020 to 272.050].~~
- (14) ***The name of a limited cooperative association shall contain the words "limited cooperative association" or "limited cooperative" or the abbreviation "L.C.A." or "LCA" "Limited" may be abbreviated as "Ltd.," "Cooperative" may be abbreviated as "Co-op" or "Coop," and "Association" may be abbreviated as "Assoc." or "Assn."***~~[An entity may apply to the Secretary of State for authorization to use a name that is not distinguishable from a name of record with the Secretary of State. The Secretary of State shall authorize use of the name applied for if:~~
- ~~The other entity consents to the use in writing and submits an undertaking in form satisfactory to the Secretary of State to change its name to a name that is distinguishable upon the records of the Secretary of State from the name of the applying entity; or~~
  - ~~The applicant delivers to the Secretary of State a certified copy of the final judgment of a court of competent jurisdiction establishing the applicant's right to use the name applied for in this Commonwealth.~~
- ~~(15) An entity may use the name, including the fictitious name, of another entity that is used in this Commonwealth if the other entity is organized or authorized to transact business in this Commonwealth, and the proposed user entity:~~
- ~~Has merged with the other entity;~~
  - ~~Has been formed by reorganization of the other entity; or~~
  - ~~Has acquired all or substantially all of the assets, including the business name of the other entity.]~~
- ~~(15)~~~~(16)~~ This chapter does not control the use of assumed names.
- ~~(16)~~~~(17)~~ The filing of articles of incorporation, articles of organization, a statement of qualification, a certificate of limited partnership, a declaration of trust, an application to transact authority in the Commonwealth, a statement of foreign qualification, a name registration, or name reservation under the particular name shall not automatically prevent the use of that name or protect that name from use by other persons.

- ~~(17)~~~~(18)~~ The provisions of subsection (2)(a) of this section shall not affect the right of any nonprofit corporation existing on June 13, 1968, to continue the use of its name as then in effect.
- ~~(18)~~~~(19)~~ The assumption of a nonprofit corporate name in violation of this section shall not affect or vitiate the corporate existence, but the courts of this Commonwealth having equity jurisdiction may, upon the application of the Commonwealth or of any person interested or affected, enjoin such corporation from doing business under a name assumed in violation of this section, although a certificate of incorporation may have been issued.
- ~~(19)~~~~(20)~~ This section shall not apply to any domestic or foreign telephone cooperative which became subject to KRS 279.310 to 279.600 by complying with the provisions of KRS 279.470 or which does business in this Commonwealth pursuant to KRS 279.570 and which elects to retain a name which does not comply with this section.
- ~~(20)~~~~(21)~~ Nothing in this section shall limit the ability of a professional regulatory board to promulgate rules governing entities and foreign entities under its jurisdiction.
- ~~(21)~~~~(22)~~ The real name of a foreign entity will be determined according to KRS 365.015. For entities not covered by that statute, the real name of the foreign entity will be the real name of the entity as so recognized in the jurisdiction of its origination.
- ~~(22)~~~~(23)~~ The real name of a partnership, other than that of a limited liability partnership as set forth on a statement of qualification or a registration as a limited liability partnership filed pursuant to KRS 362.555 or that of a foreign limited liability partnership as set forth on a statement of foreign qualification, need not be distinguishable from any name of record with the Secretary of State.

➔Section 127. KRS 14A.2-020 is amended to read as follows:

- (1) A document delivered to the Secretary of State for filing shall be executed as follows:
- (a) If delivered by or on behalf of a corporation or foreign corporation, by:
    1. The chairman of its board of directors, by its president, or by another of its officers;
    2. A duly authorized representative; or
    3. If the directors have not been selected or the corporation has not been formed, by its incorporator;
  - (b) If delivered by or on behalf of a limited liability company or foreign limited liability company, by:
    1. A manager, if management of the limited liability company or foreign limited liability company is reserved to one (1) or more managers;
    2. A member, if management of the limited liability company or foreign limited liability company is reserved to the members;
    3. A duly authorized representative; or
    4. If the limited liability company or foreign limited liability company has not been formed, by its organizer;
  - (c) If delivered by or on behalf of a limited partnership or foreign limited partnership, by at least one (1) general partner;
  - (d) If delivered by or on behalf of a business trust or foreign business trust, by at least one (1) trustee;
  - (e) If delivered by or on behalf of a partnership, by at least two (2) partners;
  - (f) If delivered by or on behalf of any other entity or foreign entity, by a person certifying the authority and capacity to execute and deliver the document;~~{or}~~
  - (g) If the entity or foreign entity is in the hands of a receiver, trustee, or other court-appointed fiduciary, by that fiduciary; *or*
  - (h) *If delivered by or on behalf of a limited cooperative association or foreign limited cooperative association, by:*
    1. *The chairman of its board of directors, by its president, or by another of its officers;*
    2. *A duly authorized representative; or*

3. *If the directors have not been selected or the association has not been formed, by its organizer.*

- (2) This section relates exclusively to execution of documents delivered for filing to the Secretary of State, and shall not control as to the execution of other documents of an entity or foreign entity.

➔Section 128. KRS 14A.2-040 is amended to read as follows:

- (1) Except as provided in subsection (2) of this section, one (1) exact or conformed copy of each of the following documents shall be filed with the county clerk of the county in which the entity or foreign entity maintains its registered office:
- (a) Articles of incorporation and all amendments thereto;
  - (b) Articles of organization and all amendments thereto;
  - (c) Certificate of limited partnership and all amendments thereto;
  - (d) Declaration of trust for a business trust and all amendments thereto;
  - (e) Application for a certificate of authority;
  - (f) Amendment to a certificate of authority;
  - (g) Withdrawal of a certificate of authority;
  - (h) Articles of merger;
  - (i) A statement of change of principal office address filed pursuant to KRS 14A.5-010 or predecessor law;~~{~~  
~~and}~~
  - (j) A statement of change of registered office or registered agent or both filed pursuant to KRS 14A.4-020 or predecessor law; **and**
  - (k) *Articles of association and all amendments thereto.*

- (2) The articles of incorporation of a rural electric cooperative or a rural telephone cooperative, all amendments thereto, and all articles of merger involving a rural electric cooperative or rural telephone cooperative shall be filed with the county clerk in which is maintained the principal office address.
- (3) Annual reports filed with the Secretary of State pursuant to KRS 14A.6-010 or predecessor law need not be filed with the county clerk.
- (4) The county clerk shall receive a fee as provided in KRS 64.012 for each filing made pursuant to subsection (1) or (2) of this section.
- (5) The county clerk shall receive a fee pursuant to KRS 64.012 for recording and issuing reports, articles, and statements pertaining to an entity or foreign entity.

➔Section 129. KRS 14A.6-010 is amended to read as follows:

- (1) Each entity and each foreign entity authorized to transact business in this Commonwealth shall deliver to the Secretary of State for filing an annual report that sets forth:
- (a) The name of the entity or foreign entity and the state or country under whose law it is organized;
  - (b) The address of its registered office and the name of its registered agent at that office in this Commonwealth;
  - (c) The address of its principal office; and
  - (d) With respect to each:
    - 1. Corporation, not-for-profit corporation, cooperative,~~[or]~~ association, **or limited cooperative association**, whether domestic or foreign:
      - a. The name and business address of the secretary or other officer with responsibility for authenticating the records of the entity;
      - b. The name and business address of each other principal officer; and
      - c. The name and business address of each director;

2. Manager-managed limited liability company, whether domestic or foreign, the name and business address of each manager;
  3. Limited partnership, whether domestic or foreign, the name and business address of each general partner;
  4. Business trust, whether domestic or foreign, the name and business address of each trustee; and
  5. Professional service corporation, domestic or foreign, a statement that each of the shareholders, not less than one-half (1/2) of the directors, and each of the officers other than secretary and treasurer is a qualified person.
- (2) A professional service corporation formed under the provisions of this chapter, except as this chapter may otherwise provide, shall have the same powers, authority, duties, and liabilities as a corporation formed under KRS Chapter 271B.
  - (3) Information in the annual report shall be current as of the date the annual report is executed on behalf of the entity or foreign entity.
  - (4) The first annual report shall be delivered to the Secretary of State between January 1 and June 30 of the year following the calendar year in which an entity was organized or a foreign entity was authorized to transact business in this state. Subsequent annual reports shall be delivered to the Secretary of State between January 1 and June 30 of each following calendar year.
  - (5) If an annual report does not contain the information required by this section, the Secretary of State shall promptly notify the entity or foreign entity in writing and return the report to it for correction, which notification may be accomplished electronically. For purposes of KRS 14A.2-130 or 14A.2-140, an annual report returned for correction shall not be deemed to have been delivered until it is returned and accepted by the Secretary of State.
  - (6) An entity or foreign entity may amend the information in its last filed annual report by delivery of an amendment to the annual report to the Secretary of State for filing on such form as is provided by the Secretary of State.
  - (7) The requirement to file an annual report shall not apply to:
    - (a) A limited partnership governed as to its internal affairs by the Kentucky Uniform Limited Partnership Act as it existed prior to its repeal by 1988 Ky. Acts ch. 284, sec. 65;
    - (b) A partnership other than a limited liability partnership that has filed a statement of qualification pursuant to KRS 362.1-1102 or a foreign limited liability partnership; or
    - (c) A foreign rural electric cooperative or foreign rural telephone cooperative not required to qualify to transact business by a filing with the Secretary of State.

➔Section 130. KRS 14A.9-030 is amended to read as follows:

- (1) A foreign entity may apply for a certificate of authority to transact business in this Commonwealth by delivering an application to the Secretary of State for filing. The application shall set forth:
  - (a) The real name of the foreign entity and, if its real name is unavailable for use in this Commonwealth, a name that satisfies the requirements of KRS 14A.3-010;
  - (b) The name of the state or country under whose law it is organized;
  - (c) Its form of organization;
  - (d) Its date of organization;
  - (e) Its period of duration or a statement that its duration is perpetual;
  - (f) The street address of its principal office;
  - (g) The address of its registered office in this Commonwealth and the name of its registered agent at that office;
  - (h) The names and usual business addresses of:
    1. The secretary, the other principal officers, and the directors, if the entity is a foreign corporation *or foreign limited cooperative association*;

2. Each of the general partners, if the entity is a foreign limited partnership;
  3. Each of the managers, if the entity is a foreign limited liability company with managers; or
  4. Each of the trustees, if the entity is a foreign business trust;
- (i) If the foreign entity is a foreign limited partnership, whether it is a foreign limited liability limited partnership; and
  - (j) If the foreign entity is a foreign professional service corporation, a representation that all of the shareholders, not less than one-half (1/2) of the directors, and all officers other than the secretary and treasurer would be qualified persons with respect to the corporation were it incorporated in this Commonwealth.
- (2) The execution of a certificate of authority shall constitute a representation by that person that the foreign entity validly exists under the laws of its jurisdiction of organization.
  - (3) Unless the registered agent signs the application, the foreign entity shall deliver with the application for certificate of authority the registered agent's written consent to the appointment.
  - (4) A certificate of authority or document of similar import of record with the Secretary of State as of the date immediately preceding January 1, 2011, including a statement of foreign qualification, shall remain effective, but its amendment shall be governed by KRS 14A.9-040.

➔Section 131. KRS 365.015 is amended to read as follows:

- (1) (a) The real name of an individual shall include his or her surname at birth, or his or her name as changed by a court of competent jurisdiction, or the surname of a married woman.
- (b) The real name of a domestic:
  1. General partnership that is not a limited liability partnership and that has not filed a statement of partnership authority is that name which includes the real name of each of the partners;
  2. General partnership that is not a limited liability partnership and that has filed a statement of partnership authority is the name set forth on the statement of partnership authority;
  3. General partnership that is a limited liability partnership is the name stated on the statement of qualification filed pursuant to KRS 362.1-1001 or predecessor law;
  4. Limited partnership is that name stated in its certificate of limited partnership filed pursuant to KRS 362.2-201 or predecessor law;
  5. Business trust is the name set forth in the declaration of trust;
  6. Corporation is the name set forth in its articles of incorporation;~~and~~
  7. Limited liability company is the name set forth in its articles of organization; **and**
  8. ***Limited cooperative association is the name set forth in its articles of association.***
- (c) The real name of a foreign:
  1. General partnership is the name recognized by the laws of the jurisdiction under which it is formed as being the real name;
  2. Limited liability partnership is the name stated in its statement of foreign qualification filed pursuant to KRS 362.1-1102 or predecessor law;
  3. Limited partnership is the name set forth in its certificate of limited partnership or the fictitious name adopted for use in this Commonwealth under KRS 14A.3-010 to 14A.3-050 or predecessor law;
  4. Business trust is the name recognized by the laws of the jurisdiction under which it is formed as being the real name of the business trust or the fictitious name adopted for use in this Commonwealth under KRS 386.4432;
  5. Corporation, ***including a cooperative or association that is incorporated,*** is the name set forth in its articles of incorporation or the fictitious name adopted for use in this Commonwealth under KRS 14A.3-010 to 14A.3-050 or predecessor law;~~and~~

6. Limited liability company is the name set forth in its articles of organization or the fictitious name adopted for use in this Commonwealth under KRS 14A.3-010 to 14A.3-050 or predecessor law; *and*
  7. ***Limited cooperative association is the name set forth in its articles of association or the fictitious name adopted for use in this Commonwealth under KRS 14A.3-010 to 14A.3-050 or predecessor law.***
- (2) (a) No individual, general partnership, limited partnership, business trust, corporation, ~~or~~ limited liability company, ***or limited cooperative association*** shall conduct or transact business in this Commonwealth under an assumed name or any style other than his, her, or its real name, as defined in subsection (1) of this section, unless such individual, general partnership, limited partnership, business trust, corporation, ~~or~~ limited liability company, ***or limited cooperative association*** has filed a certificate of assumed name;
    - (b) The certificate shall state the assumed name under which the business will be conducted or transacted, the real name of the individual, general partnership, limited partnership, business trust, corporation, ~~or~~ limited liability company, ***or limited cooperative association*** and his, or her or its address, including street and number, if any;
    - (c) A separate certificate shall be filed for each assumed name;
    - (d) No certificate to be filed with the Secretary of State shall set forth an assumed name which is not distinguishable upon the records of the Secretary of State from any other name previously filed and on record with the Secretary of State;
    - (e) The certificate shall be executed for an individual, by the individual, ***and otherwise as provided by KRS 14A.2-020***; ~~for a general partnership, by at least one (1) partner authorized to do so by the partners; for a limited partnership, by a general partner; for a business trust, by a trustee; for a corporation, by any person authorized to act for the corporation; and for a limited liability company, by a member or manager authorized to act for the limited liability company.~~
  - (3) Each certificate of assumed name for an individual shall be filed with the county clerk where the person maintains his or her principal place of business. Each certificate of assumed name for a general partnership, limited partnership, business trust, corporation, ~~or~~ limited liability company, ***or limited cooperative association*** shall be delivered to the Secretary of State for filing, accompanied by one (1) exact or conformed copy. One (1) of the exact or conformed copies stamped as "filed" by the Secretary of State shall be filed with the county clerk of the county where the entity maintains its registered agent for service of process or, if no registered agent for service of process is required, then with the county clerk of the county where the entity maintains its principal office. If the entity does not maintain a registered agent for service of process and does not maintain a principal office in this Commonwealth, then the certificate of assumed name shall be filed only with the Secretary of State.
  - (4) An assumed name shall be effective for a term of five (5) years from the date of filing and may be renewed for successive terms upon filing a renewal certificate within six (6) months prior to the expiration of the term, in the same manner of filing the original certificate as set out in subsection (3) of this section. Any certificate in effect on July 15, 1998, shall continue in effect for five (5) years and may be renewed by filing a renewal certificate with the Secretary of State.
  - (5) Upon discontinuing the use of an assumed name, the certificate shall be withdrawn by filing a certificate in the office wherein the original certificate of assumed name was filed. The certificate of withdrawal shall state the assumed name, the real name and address of the party formerly transacting business under the assumed name and the date upon which the original certificate was filed. The certificate of withdrawal shall be signed for ***an individual or his or her agent and otherwise as provided in KRS 14A.2-020***; ~~for a general partnership by at least one (1) partner authorized to act for the partnership, for a limited partnership by a general partner, for a business trust by a trustee, for a corporation by any person authorized to act for the corporation, and for a limited liability company by a member or manager authorized to act for the limited liability company.~~
  - (6) A general partnership, except a limited liability partnership, shall amend an assumed name certificate to reflect a change in the identity of partners. The amendment shall set forth:
    - (a) The assumed name and date of original filing;
    - (b) A statement setting out the changes in identity of the partners; and



- (c) Shall be signed by at least one (1) partner authorized to do so by the partners.
- (7) The filing of a certificate of assumed name shall not automatically prevent the use of that name or protect that name from use by other persons.
- (8) In the event of the merger or conversion of a partnership, limited partnership, business trust, corporation, ~~or~~ limited liability company, **or limited cooperative association**, any certificate of assumed name filed by a party to a merger or conversion shall remain in full force and effect, as provided in subsection (4) of this section, as if originally filed by the business organization which survives the merger or conversion.
- (9) A certificate of assumed name may be amended to revise the real name or the address of the person or business organization holding the certificate of assumed name.
- (10) A certificate of assumed name, or its amendment or cancellation, shall be effective on the date it is filed, as evidenced by the Secretary of State's date and time endorsement on the original document, or at a time specified in the document as its effective time on the date it is filed. The document may specify a delayed effective time and date and, if it does so, the document shall become effective at the time and date specified. If a delayed effective date but no time is specified, the document shall be effective at the close of business on that date. A delayed effective date for a document shall not be later than the ninetieth day after the date it is filed.
- (11) The county clerk shall receive a fee pursuant to KRS 64.012 for filing each certificate, and the Secretary of State shall receive a fee of twenty dollars (\$20) for filing each certificate, amendment, and renewal certificate.

➔Section 132. KRS 14A.3-040 is amended to read as follows:

- (1) If the real name of a foreign entity does not satisfy the requirements of KRS 14A.3-010 as would apply were the foreign entity organized in this Commonwealth, the foreign entity seeking to obtain or maintain a certificate of authority to transact business in this Commonwealth:
- May use a fictitious name to transact business in this Commonwealth if its real name is not distinguishable from any name of record with the Secretary of State; or
  - May supplement its name with such identifier as would be appropriate under KRS 14A.3-010 were the foreign entity organized in this Commonwealth.
- (2) ~~Except as authorized by KRS 14A.3-010(14) and (15),~~ The real or fictitious name of a foreign entity shall be distinguishable upon the records of the Secretary of State from any name of record with the Secretary of State.
- (3) If a foreign entity authorized to transact business in this Commonwealth changes its real name to one that does not satisfy the requirements of KRS 14A.3-010, it shall not transact business in this Commonwealth under the changed name until it adopts a fictitious name satisfying the requirements of KRS 14A.3-010 and obtains an amended certificate of authority in accordance with KRS 14A.9-040.

➔Section 133. KRS 14.105 is amended to read as follows:

- (1) The Secretary of State may accept electronic signatures to meet the filing requirements for a:
- Corporation as required in KRS Chapter 271B;
  - Nonprofit corporation as required in KRS Chapter 273;
  - Professional service corporation as required in KRS Chapter 274;
  - Limited liability company as required in KRS Chapter 275;
  - Partnership as required in KRS Chapter 362;
  - Partnership as required in Subchapter 1 of KRS Chapter 362;
  - Limited partnership as required in Subchapter 2 of KRS Chapter 362;
  - Cooperative corporations and associations as required in KRS ~~Chapters~~ **Chapter** 272 **and** 272A;
  - Business trust as required in KRS Chapter 386;
  - Rural electric and rural telephone cooperative corporation as required in KRS Chapter 279;
  - Assumed name filing under KRS Chapter 365; and
  - Filing under KRS Chapter 14A.

- (2) The electronic signature shall satisfy the requirements set forth in KRS 369.101 to 369.120.

➔Section 134. KRS 141.424 is amended to read as follows:

- (1) In the case of a biodiesel producer, biodiesel blender, or renewable diesel producer which is a pass-through entity not subject to tax under KRS 141.040, the amount of approved credit shall be applied against the tax imposed by KRS 141.0401 at the entity level, and shall also be distributed to each partner, member, shareholder, or beneficiary based on the partner's, member's, shareholder's, or beneficiary's distributive share of the income of the pass-through entity. Each biodiesel producer, biodiesel blender, or renewable diesel producer shall notify the department electronically of all partners, members, shareholders, or beneficiaries who may claim any amount of the approved credit. Failure to provide information to the department in a manner prescribed by administrative regulation may constitute the forfeiture of available credits to all partners, members, shareholders, or beneficiaries in the pass-through entity.
- (2) An agricultural cooperative association organized under KRS Chapter 272 *or 272A* may elect to apportion pro rata any amount of the approved credit among the members of the association *and, if a limited cooperative association, among patron members only*, on the basis of the quantity or value of business done with or for such members for the taxable year. The agricultural cooperative association shall notify the department electronically of all members who may claim any amount of the approved credit if the election is made.

➔Section 135. KRS 141.4246 is amended to read as follows:

- (1) An ethanol producer or a cellulosic ethanol producer that is a pass-through entity not subject to tax under KRS 141.040 shall apply the amount of approved credit against the tax imposed by KRS 141.0401 at the entity level, and shall also distribute the amount of the approved credit to each partner, member, shareholder, or beneficiary based on the partner's, member's, shareholder's, or beneficiary's distributive share of the income of the pass-through entity.
- (2) Each ethanol producer or cellulosic ethanol producer shall notify the department electronically of all partners, members, shareholders, or beneficiaries who may claim any amount of the approved credit. Failure to provide information to the department in a manner prescribed by administrative regulation may result in the forfeiture of available credits to all partners, members, shareholders, or beneficiaries in the pass-through entity.
- (3) An agricultural cooperative association organized under KRS Chapter 272 *or 272A* may elect to apportion pro rata any amount of the approved credit among the members of the association *and, if a limited cooperative association, among patron members only*, on the basis of the quantity or value of business done with or for such members for the taxable year. The agricultural cooperative association shall notify the department electronically of all members who may claim any amount of the approved credit if the election is made.
- (4) Failure to provide information to the department in a manner prescribed by administrative regulation may result in the forfeiture of available credits to all partners, members, shareholders, or beneficiaries in the pass-through entity or agricultural cooperative association.

➔Section 136. KRS 247.4475 is amended to read as follows:

- (1) If, in the referendum called under the provisions of KRS 247.4451 to 247.4483, a majority of the producers eligible to participate and voting therein, shall vote in the affirmative and in favor of the levying and collection of the assessment proposed in the referendum on the agricultural commodity, then the assessment shall be collected in the manner determined and announced by the agency conducting the referendum.
- (2) Any agricultural cooperative association organized under KRS Chapter 272 *or 272A*, any foreign agricultural cooperative association, *or any foreign limited cooperative association* that has received a certificate of authority to conduct business in the Commonwealth in the same manner as a domestic agricultural cooperative association, on application to an approval by the Commissioner, may by an alternate procedure, not in conflict with the purposes of KRS 247.4451 to 247.4483, handle the collection and disbursement of the assessments of its members. The purchaser of the agricultural commodity of the members of the association shall be relieved of the collecting and reporting requirements of KRS 247.4477 with respect to the members.

➔Section 137. KRS 247.490 is amended to read as follows:

- (1) If, in such referendum called under the provisions of KRS 247.450 to 247.505, a majority of the producers in the area in which such referendum is conducted, eligible to participate and voting therein, shall vote in the affirmative and in favor of the levying and collection of such assessment proposed in such referendum on such agricultural commodity, then such assessment shall be collected in the manner determined and announced by the agency conducting such referendum.

- (2) Any agricultural cooperative association organized under KRS Chapter 272 or **272A**, any foreign agricultural cooperative association, **or any foreign limited cooperative association** that has received a certificate of authority to conduct business in the Commonwealth in the same manner as a domestic agricultural cooperative association, on application to and approval by the Commissioner, may by an alternate procedure, not in conflict with the purposes of KRS 247.450 to 247.505, handle the collection and disbursement of the assessments of its members. The purchaser of the agricultural commodity of the members of such association shall be relieved of the collecting and reporting requirements of KRS 247.493 with respect to such members.

➔Section 138. KRS 248.711 is amended to read as follows:

- (1) Criteria to be used in considering applications for state funds shall include, but not be limited to:
- (a) Assistance to tobacco farmers and communities in counties most affected by the loss in tobacco income;
  - (b) Assistance to communities most dependent on agriculture;
  - (c) Enhancement and promotion of agriculture in the Commonwealth;
  - (d) Merits of the proposal in the application;
  - (e) Compatibility with state and local agriculture-related comprehensive plans;
  - (f) Documentation of measures likely to ensure soundness of the proposal such as cash flow, security, market evaluation, and infrastructure considerations;
  - (g) Promotion of diversification;
  - (h) Regional orientation;
  - (i) Cooperation among entities involved in the project and application process; and
  - (j) Effect on the economic viability of family farms.
- (2) Uses and restrictions on the funds in the counties account shall include, but not be limited to, the following:
- (a) Funds may be used for deferred, no-interest, or low-interest venture capital loans to enhance farms' revenues by initiating:
    1. Current farming techniques or practices improvements; or
    2. New farming ventures on the farm;
  - (b) Funds used for loans shall be administered through a duly licensed or chartered financial institution organized and regulated:
    1. Under the laws of this state in accordance with KRS Chapter 286; or
    2. Created by Congress and organized and regulated in accordance with provisions of federal law;
  - (c) Terms of the loans may include a limit on deferral of payment of interest or principal to five (5) years, and a limit on the interest rates. Repaid loans and interest shall be credited to the appropriate county's allocation within the counties account;
  - (d) Funds may be used as grants for local agricultural economic development projects;
  - (e) Funds may be used as grants for water line extension to farms or for a fifty percent (50%) match for water improvements on farms;
  - (f) Funds may be used for programs to assist farmers in transitioning from one (1) type of farming to another or from farming to another vocation;
  - (g) Local governments may apply for funds to clean up environmental problems created by a farm failure where there is no reasonable prospect that the problem will be cleaned up by a private individual or entity;
  - (h) Eligibility for funds in this subsection shall require that:
    1. Tobacco farmers be given priority;
    2. Applicants have sufficient equity to assure a reasonable chance of success of the action proposed for funding;
    3. Small farmers have as equal access to the funds as large farmers; and

4. Consideration be given to what percent of a county's allocation of moneys an applicant is requesting; and
  - (i) Counties may use their funds for multicounty or regional projects. They may also use their funds to maximize state or federal matching fund programs.
- (3) In administering the fund under KRS 248.709(1), the board shall be governed by the following principles:
  - (a) Individuals, groups, educational institutions, governmental entities, cooperatives, *including limited cooperative associations*, and other agriculturally related entities are eligible to receive moneys from the fund; and
  - (b) The board shall receive five hundred thousand dollars (\$500,000) for administrative costs in fiscal year 2001 and six hundred thousand dollars (\$600,000) in fiscal year 2002. These amounts shall include any costs necessary to offset administrative expenses incurred by the county cooperative extension service offices for providing administrative support to the agricultural development councils as provided in KRS 248.721.
- (4) If the state board recommends that an application not be approved or that it be changed, the applicant may take the application before the oversight subcommittee created in KRS 248.723 for discussion and possible resolution of differences.

➔Section 139. KRS 446.010 is amended to read as follows:

As used in the statute laws of this state, unless the context requires otherwise:

- (1) "Action" includes all proceedings in any court of this state;
- (2) "Animal" includes every warm-blooded living creature except a human being;
- (3) "Attorney" means attorney-at-law;
- (4) "Bequeath" and "devise" mean the same thing;
- (5) "Bequest" and "legacy" mean the same thing, and embrace either real or personal estate, or both;
- (6) "Case plan" means an individualized accountability and behavior change strategy for supervised individuals that:
  - (a) Targets and prioritizes the specific criminal risk factors of the individual based upon his or her assessment results;
  - (b) Matches the type and intensity of supervision and treatment conditions to the individual's level of risk, criminal risk factors, and individual characteristics, such as gender, culture, motivational stage, developmental stage, and learning style;
  - (c) Establishes a timetable for achieving specific behavioral goals, including a schedule for payment of victim restitution, child support, and other financial obligations; and
  - (d) Specifies positive and negative actions that will be taken in response to the supervised individual's behaviors;
- (7) "Cattle" includes horse, mule, ass, cow, ox, sheep, hog, or goat of any age or sex;
- (8) "Company" may extend and be applied to any corporation, company, person, partnership, joint stock company, or association;
- (9) "Corporation" may extend and be applied to any corporation, company, partnership, joint stock company, or association;
- (10) "Criminal risk factors" are characteristics and behaviors that, when addressed or changed, affect a person's risk for committing crimes. The characteristics may include but are not limited to the following risk and criminogenic need factors: antisocial behavior; antisocial personality; criminal thinking; criminal associates; dysfunctional family; low levels of employment or education; poor use of leisure and recreation; and substance abuse;
- (11) "Cruelty" as applied to animals includes every act or omission whereby unjustifiable physical pain, suffering, or death is caused or permitted;
- (12) "Directors," when applied to corporations, includes managers or trustees;

- (13) "Domestic," when applied to a corporation, partnership, business trust, or limited liability company, means all those incorporated or formed by authority of this state;
- (14) "Domestic animal" means any animal converted to domestic habitat;
- (15) "Evidence-based practices" means policies, procedures, programs, and practices proven by scientific research to reliably produce reductions in recidivism when implemented competently;
- (16) "Federal" refers to the United States;
- (17) "Foreign," when applied to a corporation, partnership, business trust, or limited liability company, includes all those incorporated or formed by authority of any other state;
- (18) "Generally accepted accounting principles" are those uniform minimum standards of and guidelines to financial accounting and reporting as adopted by the National Council on Governmental Accounting, under the auspices of the Municipal Finance Officers Association and by the Financial Accounting Standards Board, under the auspices of the American Institute of Certified Public Accountants;
- (19) "Graduated sanction" means any of a wide range of accountability measures and programs for supervised individuals, including but not limited to electronic monitoring; drug and alcohol testing or monitoring; day or evening reporting centers; restitution centers; disallowance of future earned compliance credits; rehabilitative interventions such as substance abuse or mental health treatment; reporting requirements to probation and parole officers; community service or work crews; secure or unsecure residential treatment facilities or halfway houses; and short-term or intermittent incarceration;
- (20) "Humane society," "society," or "Society for the Prevention of Cruelty to Animals," means any nonprofit corporation, organized under the laws of this state and having as its primary purpose the prevention of cruelty to animals;
- (21) "Issue," as applied to the descent of real estate, includes all the lawful lineal descendants of the ancestors;
- (22) "Land" or "real estate" includes lands, tenements, and hereditaments and all rights thereto and interest therein, other than a chattel interest;
- (23) "Legatee" and "devisee" convey the same idea;
- (24) "May" is permissive;
- (25) "Month" means calendar month;
- (26) "Oath" includes "affirmation" in all cases in which an affirmation may be substituted for an oath;
- (27) "Owner" when applied to any animal, means any person having a property interest in such animal;
- (28) "Partnership" includes both general and limited partnerships;
- (29) "Peace officer" includes sheriffs, constables, coroners, jailers, metropolitan and urban-county government correctional officers, marshals, policemen, and other persons with similar authority to make arrests;
- (30) "Penitentiary" includes all of the state penal institutions except the houses of reform;
- (31) "Person" may extend and be applied to bodies-politic and corporate, societies, communities, the public generally, individuals, partnerships, joint stock companies, and limited liability companies;
- (32) "Personal estate" includes chattels, real and other estate that passes to the personal representative upon the owner dying intestate;
- (33) "Pretrial risk assessment" means an objective, research-based, validated assessment tool that measures a defendant's risk of flight and risk of anticipated criminal conduct while on pretrial release pending adjudication;
- (34) "Regular election" means the election in even-numbered years at which members of Congress are elected and the election in odd-numbered years at which state officers are elected;
- (35) "Risk and needs assessment" or "validated risk and needs assessment" means an actuarial tool scientifically proven to determine a person's risk to reoffend and criminal risk factors, that when properly addressed, can reduce that person's likelihood of committing future criminal behavior;
- (36) "Shall" is mandatory;

- (37) "State" when applied to a part of the United States, includes territories, outlying possessions, and the District of Columbia; "any other state" includes any state, territory, outlying possession, the District of Columbia, and any foreign government or country;
- (38) "State funds" or "public funds" means sums actually received in cash or negotiable instruments from all sources unless otherwise described by any state agency, state-owned corporation, university, department, cabinet, fiduciary for the benefit of any form of state organization, authority, board, bureau, interstate compact, commission, committee, conference, council, office, or any other form of organization whether or not the money has ever been paid into the Treasury and whether or not the money is still in the Treasury if the money is controlled by any form of state organization, except for those funds the management of which is to be reported to the Legislative Research Commission pursuant to KRS 42.600, 42.605, and 42.615;
- (39) "Supervised individual" means an individual placed on probation by a court or serving a period of parole or post-release supervision from prison or jail;
- (40) "Sworn" includes "affirmed" in all cases in which an affirmation may be substituted for an oath;
- (41) "Treatment" when used in a criminal justice context, means targeted interventions that focus on criminal risk factors in order to reduce the likelihood of criminal behavior. Treatment options may include but shall not be limited to community-based programs that are consistent with evidence-based practices; cognitive-behavioral programs; faith-based programs; inpatient and outpatient substance abuse or mental health programs; and other available prevention and intervention programs that have been scientifically proven to produce reductions in recidivism when implemented competently. "Treatment" does not include medical services;
- (42) "United States" includes territories, outlying possessions, and the District of Columbia;
- (43) "Vacancy in office," or any equivalent phrase, means such as exists when there is an unexpired part of a term of office without a lawful incumbent therein, or when the person elected or appointed to an office fails to qualify according to law, or when there has been no election to fill the office at the time appointed by law; it applies whether the vacancy is occasioned by death, resignation, removal from the state, county or district, or otherwise;
- (44) "Violate" includes failure to comply with;
- (45) "Will" includes codicils; "last will" means last will and testament;
- (46) "Year" means calendar year;
- (47) "City" includes town;
- (48) Appropriation-related terms are defined as follows:
- (a) "Appropriation" means an authorization by the General Assembly to expend, from public funds, a sum of money not in excess of the sum specified, for the purposes specified in the authorization and under the procedure prescribed in KRS Chapter 48;
  - (b) "Appropriation provision" means a section of any enactment by the General Assembly which is not provided for by KRS Chapter 48 and which authorizes the expenditure of public funds other than by a general appropriation bill;
  - (c) "General appropriation bill" means an enactment by the General Assembly that authorizes the expenditure of public funds in a branch budget bill as provided for in KRS Chapter 48;
- (49) "Mediation" means a nonadversarial process in which a neutral third party encourages and helps disputing parties reach a mutually acceptable agreement. Recommendations by mediators are not binding on the parties unless the parties enter into a settlement agreement incorporating the recommendations;
- (50) "Biennium" means the two (2) year period commencing on July 1 in each even-numbered year and ending on June 30 in the ensuing even-numbered year;
- (51) "Branch budget bill" or "branch budget" means an enactment by the General Assembly which provides appropriations and establishes fiscal policies and conditions for the biennial financial plan for the judicial branch, the legislative branch, and the executive branch, which shall include a separate budget bill for the Transportation Cabinet; ~~and~~
- (52) "AVIS" means the automated vehicle information system established and maintained by the Transportation Cabinet to collect titling and registration information on vehicles and boats and information on holders of motor vehicle operator's licenses and personal identification cards; **and**

(53) *"Cooperative," except in KRS Chapter 272, includes a limited cooperative association.*

**Signed by Governor April 23, 2012.**