

**272A.1-080 Supplemental principles of law.**

- (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.

**Effective:** July 12, 2012

**History:** Created 2012 Ky. Acts ch. 160, sec. 8, effective July 12, 2012.