

1 House BILL NO. 742
 2 INTRODUCED BY Williams, Clerk J. Henderson Grant
 3 Stephen Jay NATH Inventor Boudana E.
 4 Sen. Delvarson
 A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE LAWS RELATING

5 TO COOPERATIVE MARKETING ASSOCIATIONS, PROVIDING FOR
 6 PERPETUAL EXISTENCE, CHANGING PROVISIONS RELATING TO
 7 AMENDMENT AND FILING OF ARTICLES OF INCORPORATION AND
 8 AMENDMENT OF BYLAWS, PROVIDING FOR RESERVES AND DISTRIBUTION
 9 OF NET EARNINGS, AND PROVIDING FOR MERGER OF SUCH
 10 ASSOCIATIONS; AMENDING SECTIONS 14-408, 14-409, AND 14-410,
 11 R.C.M. 1947."

12
 13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

14 Section 1. Section 14-408, R.C.M. 1947, is amended to
 15 read as follows:

16 "14-408. Articles of incorporation. Each association
 17 formed under this act must prepare and file articles of
 18 incorporation, setting forth:

- 19 (a) The name of the association;
- 20 (b) The purposes for which it is formed;
- 21 (c) The place where its principal business will be
- 22 transacted;
- 23 (d) The term for which it is to exist, ~~not exceeding~~
- 24 ~~forty years which may be perpetual;~~
- 25 (e) The number of its directors or trustees, which

1 shall not be less than five nor more than thirteen, and the
 2 names and residences of those who are appointed for the
 3 first three months and until their successors are elected
 4 and qualified.

5 (f) If organized without capital stock, whether the
 6 property rights and interest of each member shall be equal
 7 or unequal; and if unequal, the articles shall set forth the
 8 general rule or rules applicable to all members by which the
 9 property rights and interests, respectively, of each member
 10 may and shall be determined and fixed and the association
 11 shall have the power to admit new members who shall be
 12 entitled to share in the property of the association with
 13 the old members, in accordance with such general rule or
 14 rules. ~~This provision of the articles of incorporation shall~~
 15 ~~not be altered, amended, or repealed except by the written~~
 16 ~~consent or vote of three-fourths of the members.~~

17 (g) The articles must be subscribed by the
 18 incorporators and acknowledged by one of them before an
 19 officer authorized by the law of this state to take and
 20 certify acknowledgments of deeds and conveyances; and shall
 21 be filed in accordance with the provisions of the general
 22 corporation law of this state, and when so filed the said
 23 articles of incorporation, or certified copies thereof,
 24 shall be received in all the courts of this state, and other
 25 places, as prima facie evidence of the facts contained

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1 therein, and of the due incorporation of such association. A
 2 ~~certified copy of the articles of incorporation shall also~~
 3 ~~be filed with the dean of the state college of agriculture."~~

4 Section 2. Section 14-409, R.C.M. 1947, is amended to
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 7 ~~articles of incorporation may be altered or amended at any~~
 8 ~~regular meeting or at any special meeting called for that~~
 9 ~~purpose. An amendment must first be approved by two thirds~~
 10 ~~of the directors and then adopted by a vote representing a~~
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 13 ~~filed in accordance with the provisions of the general~~
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 23 ~~or vice-president and its corporate seal affixed thereto and~~
 24 ~~attested by its secretary. The statement shall be filed in~~
 25 ~~the office of the secretary of state who shall thereupon~~

1 issue a certificate of amendment of the articles of
 2 incorporation. A certified copy of such certificate shall be
 3 filed in the office of the county clerk for the county in
 4 which the principal office of the association is located."

5 Section 3. Section 14-410, R.C.M. 1947, is amended to
 6 read as follows:

7 "14-410. Bylaws. Each association incorporated under
 8 this act must, within thirty days after its incorporation,
 9 adopt for its government and management a code of bylaws,
 10 not inconsistent with the powers granted by this act. A
 11 majority vote of the members or stockholders, or their
 12 written assent, is necessary to adopt such bylaws. The
 13 bylaws may be amended at any regular or special meeting if
 14 approved by a majority vote of the stockholders voting
 15 thereon. Each association under its bylaws may also provide
 16 for any or all of the following matters:

- 17 (a) The time, place and manner of calling and
 18 conducting its meetings.
 19 (b) The number of stockholders or members constituting
 20 a quorum.
 21 (c) The right of members or stockholders to vote by
 22 proxy or by mail or by both, and the conditions, manner,
 23 form, and effects of such votes.
 24 (d) The number of directors constituting a quorum.
 25 (e) The qualifications, compensation and duties and

1 term of office of directors and officers; time of their
2 election and the mode and manner of giving notice thereof.

3 (f) Penalties for violations of the bylaws.

4 (g) The amount of entrance, organization and
5 membership fees, if any; the manner and method of collection
6 of the same, and the purposes for which they may be used.

7 (h) The amount which each member or stockholder shall
8 be required to pay annually or from time to time, if at all,
9 to carry on the business of the association, the charge, if
10 any, to be paid by each member or stockholder for services
11 rendered by the association to him and the time of payment
12 and the manner of collection; and the marketing contract
13 between the association and its members or stockholders
14 which every member or stockholder may be required to sign.

15 (i) The number and qualifications of members or
16 stockholders of the association and the conditions precedent
17 to membership or ownership of common stock; the method,
18 time, and manner of permitting members to withdraw or the
19 holders of common stock to transfer their stock; the manner
20 of assignment and transfer of the interest of members, and
21 the shares of common stock; the conditions upon which, and
22 the time when membership of any member shall cease. The
23 automatic suspension of the rights of a member when he
24 ceases to be eligible to membership in the association, and
25 mode, manner, and effect of the expulsion of a member;

1 manner of determining the value of a member's interest and
2 provision for its purchase by the association upon the death
3 or withdrawal of a member or stockholder or upon the
4 expulsion of a member or forfeiture of his membership, or at
5 the option of the association, by conclusive appraisal by
6 the board of directors. In case of the withdrawal or
7 expulsion of a member the board of directors shall equitably
8 and conclusively appraise his property interests in the
9 association and shall fix the amount thereof in money, which
10 shall be paid to him within one year after such expulsion or
11 withdrawal."

12 Section 4. There is a new R.C.M. section numbered
13 14-430 that reads as follows:

14 14-430. Reserves -- distribution of net earnings. (1)
15 An association organized under this chapter may set aside
16 such part of its net earnings as its board of directors
17 considers advisable for the purpose of creating or
18 maintaining a capital reserve. In addition to such capital
19 reserve, the directors may set aside a sum not to exceed 5%
20 of the annual net earnings of the association, which shall
21 be used for the purposes of promoting and teaching
22 cooperative organization and principles. The directors may
23 establish and accumulate reserves for buildings, machinery
24 and equipment, depreciation, losses, and other proper
25 purposes.

1 (2) Net earnings in excess of any such deductions
 2 shall be distributed annually to patrons on the basis of
 3 patronage. An association subject to the provisions of this
 4 chapter may distribute net earnings in cash, credits, stock,
 5 revolving fund certificates, other certificates or
 6 securities of the association or of other associations, or
 7 in any combination thereof.

8 Section 5. There is a new R.C.M. section numbered
 9 14-431 that reads as follows:

10 14-431. Merger or consolidation of cooperative
 11 associations -- sale of substantially all assets. (1) It is
 12 lawful for two or more cooperative associations formed,
 13 before or after July 1, 1977, under the laws of the state of
 14 Montana to merge or consolidate with each other. One or more
 15 such associations may merge or consolidate with one or more
 16 associations incorporated under the laws of another state
 17 relating to organization of cooperative associations by
 18 complying with the provisions of this chapter or with the
 19 applicable laws of the state where the surviving or new
 20 association has its principal place of business.

21 (2) Before an association may merge or consolidate
 22 with any other association, a written plan of merger or
 23 consolidation shall be prepared by the board of directors of
 24 one or both associations by a committee appointed for that
 25 purpose by the board of directors of one or both

1 associations or by a committee composed of at least 10% of
 2 the stockholders of one of the associations concerned. Such
 3 plan shall set forth all the terms of the merger or
 4 consolidation and the proposed effect thereof on each of the
 5 stockholders of the associations concerned. In the case of
 6 consolidation, the plan shall also contain a copy of the
 7 proposed articles for the new association to be formed.

8 (3) Notice of the proposed plan and, in the case of
 9 consolidation, of the proposed new articles shall be mailed
 10 to each stockholder of the associations to be affected
 11 thereby.

12 (4) The notice shall advise the stockholders of each
 13 association of the time and place that each association will
 14 meet, at which time the proposal shall be considered and
 15 voted upon by each association. The meetings may be held not
 16 less than 30 or more than 60 days after the mailing of
 17 notice. The plan shall be considered adopted if a quorum is
 18 present and two-thirds of those voting vote in its favor.

19 (5) Within 30 days after the merger or consolidation
 20 plan has been adopted, documents of merger or consolidation
 21 setting forth the plan and the manner of adoption thereof
 22 shall be signed and acknowledged by the president or
 23 vice-president and by the secretary or assistant secretary
 24 of each association merging or consolidating and filed with
 25 the clerk and recorder of the county in which the principal

1 office of the new or surviving association is located if the
 2 office is in Montana and with the Montana secretary of
 3 state. If the new or surviving association has its principal
 4 office in Montana, the merger or consolidation becomes
 5 effective as of the date of filing with the Montana
 6 secretary of state. If its principal office is outside the
 7 state of Montana, the merger or consolidation becomes
 8 effective upon full compliance with the laws of the state in
 9 which its principal office is located. If there is a merger,
 10 the articles and bylaws of the surviving association are
 11 amended to the extent provided in the documents setting
 12 forth the plan of merger.

13 (6) At any meeting, the stockholders of a cooperative
 14 association may authorize the disposition or sale of all or
 15 substantially all of the association's assets if notice that
 16 such disposition or sale will be considered at such meeting
 17 has been given to all persons entitled to vote thereon and
 18 if disposition or sale is approved by two-thirds of those
 19 stockholders voting at the meeting.

20 (7) On the effective date, the associations which are
 21 parties to a plan adopted pursuant to this section become a
 22 single association. In the case of a merger, the surviving
 23 association is that association so designated in the plan.
 24 In the case of a consolidation, the new association is the
 25 association provided for in the plan. The separate existence

1 of all associations which are parties to the plan, except
 2 the surviving or new association, then ceases. The surviving
 3 or new association possesses all the rights and all the
 4 property of each of the individual associations and is
 5 responsible for all their obligations. Title to any property
 6 is vested in the surviving or new association with no
 7 reversion or impairment thereof caused by the merger or
 8 consolidation. No right of any creditor may be impaired by
 9 the merger or consolidation without his consent.

10 (8) No action may be maintained to invalidate any
 11 sale, merger, or consolidation taken pursuant to this
 12 chapter because of the manner of its adoption unless the
 13 action is commenced within 2 years after the required
 14 filings have been made in relation to such corporate action
 15 or, if none is required, after the effective date of such
 16 corporate action.

-End-

Approved by Committee
on Judiciary

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INTRODUCED BY *Williams, Luke J. Henderson, Grant*
Stephen Jay WATHE, Director, Barbara E.
John Delvarson

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- (a) The name of the association;
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shall not be less than five nor more than thirteen, and the names and residences of those who are appointed for the first three months and until their successors are elected and qualified.

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(g) The articles must be subscribed by the incorporators and acknowledged by one of them before an officer authorized by the law of this state to take and certify acknowledgments of deeds and conveyances; and shall be filed in accordance with the provisions of the general corporation law of this state, and when so filed the said articles of incorporation, or certified copies thereof, shall be received in all the courts of this state, and other places, as prima facie evidence of the facts contained

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 3 *Stephan Jay WATHE* *Director* *Baldwin E.*
 4 *Lee Delvarson*
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 21 (c) The right of members or stockholders to vote by
 22 proxy or by mail or by both, and the conditions, manner,
 23 form, and effects of such votes.
 24 (d) The number of directors constituting a quorum.
 25 (e) The qualifications, compensation and duties and

1 term of office of directors and officers; time of their
2 election and the mode and manner of giving notice thereof.

3 (f) Penalties for violations of the bylaws.

4 (g) The amount of entrance, organization and
5 membership fees, if any; the manner and method of collection
6 of the same, and the purposes for which they may be used.

7 (h) The amount which each member or stockholder shall
8 be required to pay annually or from time to time, if at all,
9 to carry on the business of the association, the charge, if
10 any, to be paid by each member or stockholder for services
11 rendered by the association to him and the time of payment
12 and the manner of collection; and the marketing contract
13 between the association and its members or stockholders
14 which every member or stockholder may be required to sign.

15 (i) The number and qualifications of members or
16 stockholders of the association and the conditions precedent
17 to membership or ownership of common stock; the method,
18 time, and manner of permitting members to withdraw or the
19 holders of common stock to transfer their stock; the manner
20 of assignment and transfer of the interest of members, and
21 the shares of common stock; the conditions upon which, and
22 the time when membership of any member shall cease. The
23 automatic suspension of the rights of a member when he
24 ceases to be eligible to membership in the association, and
25 mode, manner, and effect of the expulsion of a member;

1 manner of determining the value of a member's interest and
2 provision for its purchase by the association upon the death
3 or withdrawal of a member or stockholder or upon the
4 expulsion of a member or forfeiture of his membership, or at
5 the option of the association, by conclusive appraisal by
6 the board of directors. In case of the withdrawal or
7 expulsion of a member the board of directors shall equitably
8 and conclusively appraise his property interests in the
9 association and shall fix the amount thereof in money, which
10 shall be paid to him within one year after such expulsion or
11 withdrawal."

12 Section 4. There is a new R.C.M. section numbered
13 14-430 that reads as follows:

14 14-430. Reserves -- distribution of net earnings. (1)
15 An association organized under this Chapter may set aside
16 such part of its net earnings as its board of directors
17 considers advisable for the purpose of creating or
18 maintaining a capital reserve. In addition to such capital
19 reserve, the directors may set aside a sum not to exceed 5%
20 of the annual net earnings of the association, which shall
21 be used for the purposes of promoting and teaching
22 cooperative organization and principles. The directors may
23 establish and accumulate reserves for buildings, machinery
24 and equipment, depreciation, losses, and other proper
25 purposes.

1 (2) Net earnings in excess of any such deductions
 2 shall be distributed annually to patrons on the basis of
 3 patronage. An association subject to the provisions of this
 4 chapter may distribute net earnings in cash, credits, stock,
 5 revolving fund certificates, other certificates or
 6 securities of the association or of other associations, or
 7 in any combination thereof.

8 Section 5. There is a new R.C.M. section numbered
 9 14-431 that reads as follows:

10 14-431. Merger or consolidation of cooperative
 11 associations -- sale of substantially all assets. (1) It is
 12 lawful for two or more cooperative associations formed,
 13 before or after July 1, 1977, under the laws of the state of
 14 Montana to merge or consolidate with each other. One or more
 15 such associations may merge or consolidate with one or more
 16 associations incorporated under the laws of another state
 17 relating to organization of cooperative associations by
 18 complying with the provisions of this chapter or with the
 19 applicable laws of the state where the surviving or new
 20 association has its principal place of business.

21 (2) Before an association may merge or consolidate
 22 with any other association, a written plan of merger or
 23 consolidation shall be prepared by the board of directors of
 24 one or both associations by a committee appointed for that
 25 purpose by the board of directors of one or both

1 associations or by a committee composed of at least 10% of
 2 the stockholders of one of the associations concerned. Such
 3 plan shall set forth all the terms of the merger or
 4 consolidation and the proposed effect thereof on each of the
 5 stockholders of the associations concerned. In the case of
 6 consolidation, the plan shall also contain a copy of the
 7 proposed articles for the new association to be formed.

8 (3) Notice of the proposed plan and, in the case of
 9 consolidation, of the proposed new articles shall be mailed
 10 to each stockholder of the associations to be affected
 11 thereby.

12 (4) The notice shall advise the stockholders of each
 13 association of the time and place that each association will
 14 meet, at which time the proposal shall be considered and
 15 voted upon by each association. The meetings may be held not
 16 less than 30 or more than 60 days after the mailing of
 17 notice. The plan shall be considered adopted if a quorum is
 18 present and two-thirds of those voting vote in its favor.

19 (5) Within 30 days after the merger or consolidation
 20 plan has been adopted, documents of merger or consolidation
 21 setting forth the plan and the manner of adoption thereof
 22 shall be signed and acknowledged by the president or
 23 vice-president and by the secretary or assistant secretary
 24 of each association merging or consolidating and filed with
 25 the clerk and recorder of the county in which the principal

1 office of the new or surviving association is located if the
 2 office is in Montana and with the Montana secretary of
 3 state. If the new or surviving association has its principal
 4 office in Montana, the merger or consolidation becomes
 5 effective as of the date of filing with the Montana
 6 secretary of state. If its principal office is outside the
 7 state of Montana, the merger or consolidation becomes
 8 effective upon full compliance with the laws of the state in
 9 which its principal office is located. If there is a merger,
 10 the articles and bylaws of the surviving association are
 11 amended to the extent provided in the documents setting
 12 forth the plan of merger.

13 (6) At any meeting, the stockholders of a cooperative
 14 association may authorize the disposition or sale of all or
 15 substantially all of the association's assets if notice that
 16 such disposition or sale will be considered at such meeting
 17 has been given to all persons entitled to vote thereon and
 18 if disposition or sale is approved by two-thirds of those
 19 stockholders voting at the meeting.

20 (7) On the effective date, the associations which are
 21 parties to a plan adopted pursuant to this section become a
 22 single association. In the case of a merger, the surviving
 23 association is that association so designated in the plan.
 24 In the case of a consolidation, the new association is the
 25 association provided for in the plan. The separate existence

1 of all associations which are parties to the plan, except
 2 the surviving or new association, then ceases. The surviving
 3 or new association possesses all the rights and all the
 4 property of each of the individual associations and is
 5 responsible for all their obligations. Title to any property
 6 is vested in the surviving or new association with no
 7 reversion or impairment thereof caused by the merger or
 8 consolidation. No right of any creditor may be impaired by
 9 the merger or consolidation without his consent.

10 (8) No action may be maintained to invalidate any
 11 sale, merger, or consolidation taken pursuant to this
 12 chapter because of the manner of its adoption unless the
 13 action is commenced within 2 years after the required
 14 filings have been made in relation to such corporate action
 15 or, if none is required, after the effective date of such
 16 corporate action.

-End-

1 HOUSE BILL NO. 742

2 INTRODUCED BY WILLIAMS, GERKE, J. GUNDERSON, LUND,

3 BERTELSEN, DAY, NATHE, SIVERTSEN, BARDANOUVE,

4 LIEN, HALVORSON

5
6 A BILL FOR AN ACT ENTITLED: "AN ACT TO REVISE LAWS RELATING
7 TO COOPERATIVE MARKETING ASSOCIATIONS, PROVIDING FOR
8 PERPETUAL EXISTENCE, CHANGING PROVISIONS RELATING TO
9 AMENDMENT AND FILING OF ARTICLES OF INCORPORATION AND
10 AMENDMENT OF BYLAWS, PROVIDING FOR RESERVES AND DISTRIBUTION
11 OF NET EARNINGS, AND PROVIDING FOR MERGER OF SUCH
12 ASSOCIATIONS; AMENDING SECTIONS 14-408, 14-409, AND 14-410,
13 R.C.M. 1947."

14
15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:16 Section 1. Section 14-408, R.C.M. 1947, is amended to
17 read as follows:18 "14-408. Articles of incorporation. Each association
19 formed under this act must prepare and file articles of
20 incorporation, setting forth:

21 (a) The name of the association;

22 (b) The purposes for which it is formed;

23 (c) The place where its principal business will be
24 transacted;25 (d) The term for which it is to exist, ~~not exceeding~~1 ~~forty-years which may be perpetual;~~2 (e) The number of its directors or trustees, which
3 shall not be less than five nor more than thirteen, and the
4 names and residences of those who are appointed for the
5 first three months and until their successors are elected
6 and qualified.7 (f) If organized without capital stock, whether the
8 property rights and interest of each member shall be equal
9 or unequal; and if unequal, the articles shall set forth the
10 general rule or rules applicable to all members by which the
11 property rights and interests, respectively, of each member
12 may and shall be determined and fixed and the association
13 shall have the power to admit new members who shall be
14 entitled to share in the property of the association with
15 the old members, in accordance with such general rule or
16 rules. ~~this provision of the articles of incorporation shall~~
17 ~~not be altered, amended, or repealed except by the written~~
18 ~~consent or vote of three-fourths of the members.~~19 (g) The articles must be subscribed by the
20 incorporators and acknowledged by one of them before an
21 officer authorized by the law of this state to take and
22 certify acknowledgments of deeds and conveyances; and shall
23 be filed in accordance with the provisions of the general
24 corporation law of this state, and when so filed the said
25 articles of incorporation, or certified copies thereof,

1 shall be received in all the courts of this state, and other
 2 places, as prima facie evidence of the facts contained
 3 therein, and of the due incorporation of such association. ~~A~~
 4 ~~certified copy of the articles of incorporation shall also~~
 5 ~~be filed with the dean of the state college of agriculture."~~

6 Section 2. Section 14-409, R.C.M. 1947, is amended to
 7 read as follows:

8 "14-409. Amendments to articles of incorporation. ~~The~~
 9 ~~articles of incorporation may be altered or amended at any~~
 10 ~~regular meeting or at any special meeting called for that~~
 11 ~~purpose. An amendment must first be approved by two-thirds~~
 12 ~~of the directors and then adopted by a vote representing a~~
 13 ~~majority of all the members of the association. Amendments~~
 14 ~~to the articles of incorporation when so adopted shall be~~
 15 ~~filed in accordance with the provisions of the general~~
 16 ~~corporation law of this state. At any time after filing, the~~
 17 articles of incorporation may be amended. Any amendment of
 18 the articles of incorporation shall be approved by
 19 two-thirds of the directors and then adopted by vote of not
 20 less than two-thirds of those stockholders voting thereon at
 21 any regular meeting of the stockholders or at a special
 22 meeting of the stockholders called for that purpose. A
 23 statement setting forth the amendment shall be executed and
 24 acknowledged on behalf of the association by its president
 25 or vice-president and its corporate seal affixed thereto and

1 attested by its secretary. The statement shall be filed in
 2 the office of the secretary of state who shall thereupon
 3 issue a certificate of amendment of the articles of
 4 incorporation. A certified copy of such certificate shall be
 5 filed in the office of the county clerk for the county in
 6 which the principal office of the association is located."

7 Section 3. Section 14-410, R.C.M. 1947, is amended to
 8 read as follows:

9 "14-410. Bylaws. Each association incorporated under
 10 this act must, within thirty days after its incorporation,
 11 adopt for its government and management a code of bylaws,
 12 not inconsistent with the powers granted by this act. A
 13 majority vote of the members or stockholders, or their
 14 written assent, is necessary to adopt such bylaws. ~~The~~
 15 bylaws may be amended at any regular or special meeting if
 16 approved by a majority vote of the stockholders voting
 17 thereon. Each association under its bylaws may also provide
 18 for any or all of the following matters:

19 (a) The time, place and manner of calling and
 20 conducting its meetings.

21 (b) The number of stockholders or members constituting
 22 a quorum.

23 (c) The right of members or stockholders to vote by
 24 proxy or by mail or by both, and the conditions, manner,
 25 form, and effects of such votes.

1 (d) The number of directors constituting a quorum.
 2 (e) The qualifications, compensation and duties and
 3 term of office of directors and officers; time of their
 4 election and the mode and manner of giving notice thereof.
 5 (f) Penalties for violations of the bylaws.
 6 (g) The amount of entrance, organization and
 7 membership fees, if any; the manner and method of collection
 8 of the same, and the purposes for which they may be used.
 9 (h) The amount which each member or stockholder shall
 10 be required to pay annually or from time to time, if at all,
 11 to carry on the business of the association, the charge, if
 12 any, to be paid by each member or stockholder for services
 13 rendered by the association to him and the time of payment
 14 and the manner of collection; and the marketing contract
 15 between the association and its members or stockholders
 16 which every member or stockholder may be required to sign.
 17 (i) The number and qualifications of members or
 18 stockholders of the association and the conditions precedent
 19 to membership or ownership of common stock; the method,
 20 time, and manner of permitting members to withdraw or the
 21 holders of common stock to transfer their stock; the manner
 22 of assignment and transfer of the interest of members, and
 23 the shares of common stock; the conditions upon which, and
 24 the time when membership of any member shall cease. The
 25 automatic suspension of the rights of a member when he

1 ceases to be eligible to membership in the association, and
 2 mode, manner, and effect of the expulsion of a member;
 3 manner of determining the value of a member's interest and
 4 provision for its purchase by the association upon the death
 5 or withdrawal of a member or stockholder or upon the
 6 expulsion of a member or forfeiture of his membership, or at
 7 the option of the association, by conclusive appraisal by
 8 the board of directors. In case of the withdrawal or
 9 expulsion of a member the board of directors shall equitably
 10 and conclusively appraise his property interests in the
 11 association and shall fix the amount thereof in money, which
 12 shall be paid to him within one year after such expulsion or
 13 withdrawal."

14 Section 4. There is a new R.C.M. section numbered
 15 14-430 that reads as follows:

16 14-430. Reserves -- distribution of net earnings. (1)
 17 An association organized under this chapter may set aside
 18 such part of its net earnings as its board of directors
 19 considers advisable for the purpose of creating or
 20 maintaining a capital reserve. In addition to such capital
 21 reserve, the directors may set aside a sum not to exceed 5%
 22 of the annual net earnings of the association, which shall
 23 be used for the purposes of promoting and teaching
 24 cooperative organization and principles. The directors may
 25 establish and accumulate reserves for buildings, machinery

1 and equipment, depreciation, losses, and other proper
2 purposes.

3 (2) Net earnings in excess of any such deductions
4 shall be distributed annually to patrons on the basis of
5 patronage. An association subject to the provisions of this
6 chapter may distribute net earnings in cash, credits, stock,
7 revolving fund certificates, other certificates or
8 securities of the association or of other associations, or
9 in any combination thereof.

10 Section 5. There is a new R.C.M. section numbered
11 14-431 that reads as follows:

12 14-431. Merger or consolidation of cooperative
13 associations -- sale of substantially all assets. (1) It is
14 lawful for two or more cooperative associations formed,
15 before or after July 1, 1977, under the laws of the state of
16 Montana to merge or consolidate with each other. One or more
17 such associations may merge or consolidate with one or more
18 associations incorporated under the laws of another state
19 relating to organization of cooperative associations by
20 complying with the provisions of this chapter or with the
21 applicable laws of the state where the surviving or new
22 association has its principal place of business.

23 (2) Before an association may merge or consolidate
24 with any other association, a written plan of merger or
25 consolidation shall be prepared by the board of directors of

1 one or both associations by a committee appointed for that
2 purpose by the board of directors of one or both
3 associations or by a committee composed of at least 10% of
4 the stockholders of one of the associations concerned. Such
5 plan shall set forth all the terms of the merger or
6 consolidation and the proposed effect thereof on each of the
7 stockholders of the associations concerned. In the case of
8 consolidation, the plan shall also contain a copy of the
9 proposed articles for the new association to be formed.

10 (3) Notice of the proposed plan and, in the case of
11 consolidation, of the proposed new articles shall be mailed
12 to each stockholder of the associations to be affected
13 thereby.

14 (4) The notice shall advise the stockholders of each
15 association of the time and place that each association will
16 meet, at which time the proposal shall be considered and
17 voted upon by each association. The meetings may be held not
18 less than 30 or more than 60 days after the mailing of
19 notice. The plan shall be considered adopted if a quorum is
20 present and two-thirds of those voting vote in its favor.

21 (5) Within 30 days after the merger or consolidation
22 plan has been adopted, documents of merger or consolidation
23 setting forth the plan and the manner of adoption thereof
24 shall be signed and acknowledged by the president or
25 vice-president and by the secretary or assistant secretary

1 of each association merging or consolidating and filed with
 2 the clerk and recorder of the county in which the principal
 3 office of the new or surviving association is located if the
 4 office is in Montana and with the Montana secretary of
 5 state. If the new or surviving association has its principal
 6 office in Montana, the merger or consolidation becomes
 7 effective as of the date of filing with the Montana
 8 secretary of state. If its principal office is outside the
 9 state of Montana, the merger or consolidation becomes
 10 effective upon full compliance with the laws of the state in
 11 which its principal office is located. If there is a merger,
 12 the articles and bylaws of the surviving association are
 13 amended to the extent provided in the documents setting
 14 forth the plan of merger.

15 (6) At any meeting, the stockholders of a cooperative
 16 association may authorize the disposition or sale of all or
 17 substantially all of the association's assets if notice that
 18 such disposition or sale will be considered at such meeting
 19 has been given to all persons entitled to vote thereon and
 20 if disposition or sale is approved by two-thirds of those
 21 stockholders voting at the meeting.

22 (7) On the effective date, the associations which are
 23 parties to a plan adopted pursuant to this section become a
 24 single association. In the case of a merger, the surviving
 25 association is that association so designated in the plan.

1 In the case of a consolidation, the new association is the
 2 association provided for in the plan. The separate existence
 3 of all associations which are parties to the plan, except
 4 the surviving or new association, then ceases. The surviving
 5 or new association possesses all the rights and all the
 6 property of each of the individual associations and is
 7 responsible for all their obligations. Title to any property
 8 is vested in the surviving or new association with no
 9 reversion or impairment thereof caused by the merger or
 10 consolidation. No right of any creditor may be impaired by
 11 the merger or consolidation without his consent.

12 (8) No action may be maintained to invalidate any
 13 sale, merger, or consolidation taken pursuant to this
 14 chapter because of the manner of its adoption unless the
 15 action is commenced within 2 years after the required
 16 filings have been made in relation to such corporate action
 17 or, if none is required, after the effective date of such
 18 corporate action.

-End-