CHAPTER 96--H.F.No. 3800

An act relating to cooperatives; providing for the organization and operation of housing cooperatives for seniors, low and moderate income people, limited equity cooperatives and leasing cooperatives for designated members; amending Minnesota Statutes 2022, sections 116J.395, subdivision 3; 273.11, subdivision 8; 273.124, subdivisions 3, 3a; 290.0922, subdivision 2; 327C.095, subdivision 5; 515B.3-101; 515B.3-103; Minnesota Statutes 2023 Supplement, sections 273.124, subdivision 6; 290.0694, subdivision 1; 290A.03, subdivision 16; 462A.38, subdivision 1; proposing coding for new law as Minnesota Statutes, chapter 308C.

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

ARTICLE 1

MINNESOTA COOPERATIVE HOUSING ACT

Section 1. **[308C.001] CITATION.**

This chapter may be cited as the "Minnesota Cooperative Housing Act."

Sec. 2. **[308C.003] APPLICATION OF OTHER STATUTES.**

Subdivision 1. **Cooperative ownership.** Cooperatives formed under this chapter and cooperatives that were formed under chapter 308A or 308B that convert and become exclusively governed by this chapter shall be known as housing cooperatives.

Subd. 2. **Securities registration exemption.** Membership interests are exempt from registration to the same extent as the securities offered by any cooperative under chapter 308A or 308B are exempt from registration under chapter 80A.

Subd. 3. **Chapter 515B prevails.** In the event of a conflict between this chapter and chapter 515B, chapter 515B shall control.

Sec. 3. **[308C.005] DEFINITIONS.**

Subdivision 1. **Scope.** The definitions in this section apply to this chapter.

Subd. 2. **Address.** "Address" means the mailing address, including a zip code. In the case of a registered address, the term means mailing address and the actual office location, which may not be a post office box.

Subd. 3. **Alternative ballot.** "Alternative ballot" means a method of voting on a candidate or issue prescribed by the board of directors in advance of the vote and may include voting by electronic, telephonic, Internet, or other means that reasonably allow members the opportunity to vote.

Subd. 4. **Articles.** "Articles" means the articles of organization of a cooperative as originally filed and subsequently amended.

Subd. 5. **Association.** "Association" means an organization conducting business on a cooperative plan under the laws of this state or another state that is chartered to conduct business under other laws of this state.

Subd. 6. **Board of directors.** "Board of directors" or "board" means the board of directors of a cooperative.

Subd. 7. **Business entity.** "Business entity" means a company, limited liability company, limited liability partnership, or other legal entity, whether domestic or foreign, association, or body vested with the power or function of a legal entity.

Subd. 8. **Chapter.** "Chapter" means sections 308C.001 to 308C.975.

Subd. 9. **Cooperative.** "Cooperative" means a cooperative organized under this chapter providing housing opportunities on a cooperative plan as provided under this chapter.

Subd. 10. **Common elements.** "Common elements" means all portions of the cooperative other than a dwelling unit or a manufactured home.

Subd. 11. **Common expenses.** "Common expenses" means expenditures made or liabilities incurred by or on behalf of the cooperative together with any allocations to reserves.

Subd. 12. **Common expense liability.** "Common expense liability" means the liability for common expenses allocated to each dwelling unit which shall be allocated by a method provided for in the bylaws pursuant to section 308C.241, subdivision 2, paragraph (a), clause 7.

Subd. 13. **Developer.** "Developer" means a real estate developer in the business of building dwelling units that will be owned and operated by a cooperative organized under this chapter.

Subd. 14. **Domestic business entity.** "Domestic business entity" means a business entity organized under the laws of this state.

Subd. 15. **Domestic cooperative.** "Domestic cooperative" means a cooperative organized under this chapter, chapter 308A, or chapter 308B.

Subd. 16. **Dwelling unit.** "Dwelling unit" means a residential housing unit consisting of a group of rooms and hallways which are designated or intended for use as living quarters for an individual, family, or other persons living together.

Subd. 17. **Filed with the secretary of state.** "Filed with the secretary of state" means a document meeting the applicable requirements of this chapter, signed and accompanied by the required filing fee that has been delivered to the Office of the Secretary of State. The secretary of state shall endorse on the document the word "filed" or a similar word determined by the secretary of state; the month, day, and year of filing; record the document in the Office of the Secretary of State; and return the document to the person or entity who delivered it for filing.

Subd. 18. **Foreign business entity.** "Foreign business entity" means a business entity that is not a domestic business entity.

Subd. 19. **Foreign cooperative.** "Foreign cooperative" means a foreign business entity organized to conduct business on a cooperative plan consistent with this chapter, chapter 308A, or chapter 308B.

Subd. 20. **Housing cooperative.** "Housing cooperative" means a housing cooperative governed by this chapter to provide housing on a not-for-profit and cooperative basis in accordance with the organizational purposes contemplated in this chapter.

Subd. 21. **Housing facility.** "Housing facility" means a multiunit dwelling, a manufactured home park, shared wall units or townhomes, and one or more single-family homes or detached homes or structures intended to be used for residential housing.

Subd. 22. **Limited equity cooperative.** "Limited equity cooperative" means a cooperative governed by this chapter that limits the appreciation and value of a membership interest to a formula price set forth in the bylaws that is defined as the transfer value herein. A limited equity cooperative also sets limits on the extent to which a member may transfer a membership interest and provides for a right of first refusal to purchase the interest in favor of the cooperative.

Subd. 23. **Low income.** "Low income" means having income that is less than or equal to 80 percent of median income for the area, adjusted for family size, in accordance with federal standards generally accepted at the time of organization and comparable to standards of the United States Department of Housing and Urban Development existing on June 16, 1988.

Subd. 24. **Lot.** "Lot" means an area within a manufactured home park or another parcel of real property, designed or used for the accommodation of a manufactured home or structure intended to be used for residential housing.

Subd. 25. **Manufactured home.** "Manufactured home" means a structure, not affixed to or part of real estate, transportable in one or more sections that is eight body feet or more in width or 40 body feet or more in length in the traveling mode, or, when erected on site is 320 or more square feet, and is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air conditioning, and electrical systems contained in the home.

Subd. 26. **Manufactured home park.** "Manufactured home park" means any site, lot, field, or tract of land upon which two or more occupied manufactured homes are located, either free of charge or for compensation, and includes any building, structure, tent, vehicle, or enclosure used or intended for use as part of the equipment of the manufactured home park.

Subd. 27. **Member.** "Member" means any person who is approved for membership in the cooperative pursuant to the articles of organization or bylaws and who is identified as a member on the books and records of the cooperative and has been issued a membership certificate. Membership certificates include owner members and nonoccupant members.

Subd. 28. **Membership certificate.** "Membership certificate" means a certificate evidencing ownership of a membership interest in the cooperative.

Subd. 29. **Membership interest.** "Membership interest" means a member's interest in a cooperative consisting of a member's financial rights, a member's right to assign financial rights, a member's governance rights, and a member's right to assign governance rights. Membership interest includes occupant membership interests and nonoccupant membership interests.

Subd. 30. **Member meeting.** "Member meeting" means a regular or special meeting of the members.

Subd. 31. **Membership purchase and sale agreement.** "Membership purchase and sale agreement" means the contract for purchase of a membership interest to which a particular dwelling unit is appurtenant

between the member who is selling the membership interest and an incoming prospective member of the cooperative who has been approved for membership by the cooperative's board of directors.

Subd. 32. **Minnesota limited liability company.** "Minnesota limited liability company" means a limited liability company governed by chapter 322C.

Subd. 33. **Moderate income.** "Moderate income" means less than or equal to 100 percent of median income for the area, adjusted for family size, in accordance with federal standards generally accepted at the time of organization and comparable to standards of the United States Department of Housing and Urban Development existing on June 16, 1988.

Subd. 34. **Nonoccupant membership interest.** "Nonoccupant membership interest" means a membership interest that does not require the holder to be an occupant or resident of the cooperative.

Subd. 35. **Occupant.** "Occupant" means any person legally entitled to occupy a dwelling unit, whether a member, spouse or partner of a member, or permitted sublessee or guest of a member.

Subd. 36. **Occupant membership interest.** "Occupant membership interest" means the composite ownership of both a membership certificate issued by the cooperative and a possessory right of occupancy of a dwelling unit or lot pursuant to an occupancy agreement or proprietary lease, including a member's financial rights and a member's governance rights.

Subd. 37. **Occupancy agreement.** "Occupancy agreement" means the agreement between the member and the cooperative describing the terms and conditions under which the member will occupy the dwelling unit or lot appurtenant to the member's membership interest.

Subd. 38. **Older persons.** "Older persons" means natural persons who are age 55 and older in accordance with the applicable provisions of the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended; United States Code, title 42, chapter 3607, section 807(a)(b)(1)(2), and the rules and regulations of the United States Department of Housing and Urban Development applicable with respect to housing for older persons contained in Code of Federal Regulations, title 24, subtitle B, chapter I, subpart E, section 100.300-308.

Subd. 39. **Person.** "Person" means a natural person, domestic or foreign business or nonprofit corporation, domestic and foreign limited liability company, limited partnership, joint venture, association, trust, estate, enterprise, or other legal or commercial entity.

Subd. 40. **Project.** "Project" means the real property and improvements on the real property owned by the cooperative and appurtenant facilities, constituting the cooperative's housing facility or a manufactured home park.

Subd. 41. **Proprietary lease.** "Proprietary lease" means an agreement with a cooperative governing a member's right to occupancy under which a member has an exclusive possessory interest in a unit or lot.

Subd. 42. **Resident.** "Resident" means any occupant of space owned by the cooperative or an owner of a manufactured home who rents a lot in a manufactured home park and includes the members of the resident's household.

Subd. 43. **Security interest.** "Security interest" means the lien on and security interest in a membership and occupancy agreement.

Subd. 44. **Senior housing cooperative.** "Senior housing cooperative" means a housing cooperative governed by this chapter to provide housing on a not-for-profit and cooperative basis to older persons in accordance with the applicable provisions of the Fair Housing Act, Title VIII of the Civil Rights Act of

1968, as amended; United States Code, title 42, chapter 3607, section 807(a)(b)(1)(2), and the rules and regulations of the United States Department of Housing and Urban Development applicable with respect to housing for older persons contained in Code of Federal Regulations, title 24, subtitle B, chapter I, subpart E, section 100.300-308.

Subd. 45. **Signed.** The signature of a person subscribed on a document, with respect to a document required by this chapter to be filed with the secretary of state, means that the document has been signed by a person authorized to do so by this chapter, the articles or bylaws, or by a resolution approved by the directors or the members. A signature on a document may be a facsimile affixed, engraved, printed, placed, stamped with indelible ink, transmitted by facsimile or electronically, or in any other manner reproduced on the document.

Subd. 46. **Subscription agreement.** "Subscription agreement" means the contract of purchase between a prospective member and the cooperative of a membership interest in the cooperative.

Subd. 47. **Transfer value.** "Transfer value" means the formula price at which the cooperative may purchase the membership interest of a deceased or departing member in a limited equity cooperative.

Subd. 48. **Unit.** "Unit" means a portion of the cooperative property leased for exclusive occupancy by a member under a proprietary lease or leased to a tenant by an occupancy agreement.

Sec. 4. **[308C.007] LEGAL RECOGNITION OF ELECTRONIC RECORDS AND SIGNATURES.**

Subdivision 1. **Definitions.** (a) The definitions in this subdivision apply to this section.

(b) "Electronic" means relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities.

(c) "Electronic record" means a record created, generated, sent, communicated, received, or stored by electronic means.

(d) "Electronic signature" means an electronic sound, symbol, or process attached to or logically associated with a record and executed or adopted by a person with the intent to sign the record.

(e) "Record" means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in the perceivable form.

Subd. 2. **Electronic records and signatures.** For purposes of this chapter:

(1) a record or signature may not be denied legal effect or enforceability solely because it is in electronic form;

(2) a contract may not be denied legal effect or enforceability solely because an electronic record was used in its formation;

(3) if a provision requires a record to be in writing, an electronic record satisfies the requirement; and

(4) if a provision requires a signature, an electronic signature satisfies the requirement.

Sec. 5. **[308C.009] USE OF TERM COOPERATIVE RESTRICTED.**

Subdivision 1. **Permissible uses.** Businesses subject to this chapter may use the term "cooperative" or "housing cooperative" as part of its corporate or business name. Nothing in this chapter shall preclude a business organized under chapter 308A, 308B, 317A, or 515B from using the term "housing cooperative."

A corporation or association organized in this state may not use the term "housing cooperative" as part of its corporate or business name or title, or to represent itself as a housing cooperative, unless the corporation or association has complied with and is subject to this chapter or has incorporated under the laws of this state authorizing incorporation of business on a cooperative plan.

Subd. 2. **Penalty for misuse of term housing cooperative.** A corporation or association that violates subdivision 1 is guilty of a misdemeanor.

Sec. 6. **[308C.101] RESERVATION OF RIGHT.**

The state reserves the right to amend or repeal the provisions of this chapter by law. A cooperative organized or governed by this chapter is subject to this reserved right.

Sec. 7. **[308C.111] FILING FEES.**

Unless otherwise provided, the filing fee for documents filed under this chapter with the secretary of state is $35.

Sec. 8. **[308C.115] REGISTERED OFFICE.**

A cooperative must have a registered office and may have a registered agent. A cooperative may change its registered agent and the agent may resign or change its business address or its name in the manner prescribed by section 5.36.

Sec. 9. **[308C.121] ANNUAL RENEWAL.**

Subdivision 1. **Annual renewal.** A cooperative governed by this chapter must file an annual renewal with the secretary of state in each calendar year following the calendar year in which the cooperative was incorporated. The secretary of state may send annually to the cooperative, using the information provided by the cooperative pursuant to section 5.002 or 5.34 or the articles of incorporation, a notice announcing the need to file the annual renewal, informing the cooperative that the annual renewal may be filed online and that paper filings may also be made, and informing the cooperative that failing to file the annual renewal will result in an administrative dissolution of the cooperative.

Subd. 2. **Cooperative renewal form.** In each calendar year in which a renewal is to be filed, a cooperative must file with the secretary of state an annual renewal by December 31 of that calendar year containing the items required by section 5.34.

Subd. 3. **Information public.** The information required by subdivision 2 is public data.

Subd. 4. **Penalty; dissolution.** (a) A cooperative that has failed to file a renewal pursuant to the requirements of this section by December 31 of the calendar year for which the renewal is required must be dissolved by the secretary of state as described in paragraph (b).

(b) If the cooperative has not filed the renewal by December 31 of that calendar year, the secretary of state must issue a certificate of involuntary dissolution, and the certificate must be filed with the secretary

of state. The secretary of state must make available in an electronic format the names of the dissolved cooperatives. A cooperative dissolved in this manner is not entitled to the benefits of section 308C.975.

Subd. 5. **Reinstatement.** A cooperative may retroactively reinstate its existence by filing a single annual renewal and paying a $25 fee. Filing the annual renewal with the secretary of state:

(1) returns the cooperative to active status as of the date of the dissolution;

(2) validates contracts or other acts within the authority of the articles, and the cooperative is liable for those contracts or acts; and

(3) restores to the cooperative all assets and rights of the cooperative and its shareholders or members to the extent that assets or rights were held by the cooperative and its shareholders or members before the dissolution occurred, except to the extent that assets or rights were affected by acts occurring after the dissolution or sold or otherwise distributed after that time.

Sec. 10. **[308C.201] ORGANIZATIONAL PURPOSE.**

A cooperative may be formed and organized on a cooperative basis and plan under this chapter:

(1) to provide housing on a nonprofit and cooperative basis to older persons in accordance with the provisions of this chapter, the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended; United States Code, title 42, chapter 3607, section 807(a)(b)(1)(2), and the rules and regulations of the United States Department of Housing and Urban Development applicable with respect to housing for older persons contained in Code of Federal Regulations, title 24, subtitle B, chapter I, subpart E, sections 100.300-308;

(2) to provide on a nonprofit and cooperative basis residential housing either through ownership, leasing, or a combination of both and the social, recreational, commercial, and communal facilities necessary to serve and improve the residential housing; or

(3) to establish a limited equity cooperative that provides on a nonprofit and cooperative basis residential housing to its members that: (i) limits the appreciation and value of a membership interest to a formula price set forth in the bylaws that is defined as the transfer value herein, and (ii) sets limits on the extent to which a member may transfer a membership interest and provides for a right of first refusal to purchase the interest in favor of the cooperative.

Sec. 11. **[308C.205] ORGANIZERS.**

A cooperative may be organized by one or more organizers who shall be adult natural persons and who may act for themselves as individuals or as agents of other entities.

Sec. 12. **[308C.211] COOPERATIVE NAME.**

Subdivision 1. **Distinguished name.** The name of a cooperative shall distinguish the cooperative upon the records in the Office of the Secretary of State from the name of a domestic business entity or a foreign business entity, authorized or registered to do business in this state, or a name the right to which is, at the time of organization, reserved or provided by law.

Subd. 2. **Reservation.** The cooperative name shall be reserved for the cooperative during its existence.

Sec. 13. **[308C.215] ARTICLES OF ORGANIZATION.**

Subdivision 1. **Requirements.** (a) The articles of the cooperative shall include:

(1) the name of the cooperative;

(2) the organizational purpose of the cooperative in accordance with this chapter;

(3) the name and address of each organizer;

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

(5) the name and address of the registered agent, if any; and

(6) the address of the registered office.

(b) The articles of the cooperative may include:

(1) a statement that assessments to members collected annually for common expenses in excess of common expenses shall be refunded annually on the basis of patronage, which may, upon resolution of the board of directors, be credited to the following year's assessments; and

(2) if the cooperative is to be organized as a limited equity cooperative, the requirements set forth in section 308C.312.

(c) The articles may contain any other lawful provision.

(d) The articles shall be signed by each organizer.

Subd. 2. **Filing.** The original articles shall be filed with the secretary of state. The basic fee for filing the articles with the secretary of state is $60.

Subd. 3. **Effect of filing.** When the articles have been filed with the secretary of state and the required fee has been paid to the secretary of state, it shall be presumed that:

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

(2) the incorporation of the cooperative has been chartered by the state as a separate legal entity; and

(3) the secretary of state shall issue a certificate of organization to the cooperative.

Sec. 14. **[308C.221] AMENDMENT OF ARTICLES.**

Subdivision 1. **Procedure.** (a) The articles of a cooperative shall be amended as follows:

(1) the board, by majority vote, shall pass a resolution stating the text of the proposed amendment. The text of the proposed amendment and an attached mail or alternative ballot, if the board has provided for a mail or alternative ballot in the resolution, shall be mailed or otherwise distributed with a regular or special meeting notice to each member. The notice shall designate the time and place of the meeting for the proposed amendment to be considered and voted on; and

(2) if a quorum of the members is registered as being present or represented by alternative vote at the meeting, the proposed amendment is adopted:

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

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

(b) After an amendment has been adopted by the members, the amendment shall be signed by the president and secretary and a copy of the amendment filed with the secretary of state.

Subd. 2. **Certificate.** (a) A certificate shall be prepared stating:

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

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

(3) the quorum registered at the meeting; and

(4) the vote cast adopting the amendment.

(b) The certificate shall be signed by the president and secretary and filed with the records of the cooperative.

Subd. 3. **Amendment by directors.** A majority of directors may amend the articles if the cooperative does not have any members.

Subd. 4. **Amendment by the organizer.** The organizer or a majority of the organizers may amend the articles if the cooperative does not have directors or any members.

Subd. 5. **Filing.** An amendment of the articles shall be filed with the secretary of state. The amendment is effective upon filing or the date specified in the resolution adopting the amendment.

Sec. 15. **[308C.225] AMENDMENT OF ORGANIZATIONAL DOCUMENTS TO BE GOVERNED BY THIS CHAPTER.**

Subdivision 1. **Authority.** (a) A housing cooperative organized under chapter 308A or 308B may convert and become exclusively subject to this chapter by amending the housing cooperative's organizational documents to conform to the requirements of this chapter and filing a certificate of conversion that complies with this chapter.

(b) A housing cooperative organized under chapter 308A or 308B that intends to convert to a cooperative subject to this chapter must provide its members with a disclosure statement of the rights and obligations of the members and the capital structure of the cooperative before becoming subject to this chapter. A cooperative organized under chapter 308A or 308B upon distribution of the disclosure required in this subdivision must obtain the approval of its members as necessary for amending its articles under chapter 308A or 308B.

Subd. 2. **Filings.** (a) A housing cooperative organized under chapter 308A or 308B that is converting to be subject to this chapter must file with the secretary of state and the applicable county recorder:

(1) a certificate of conversion stating:

(i) the date on which the entity was first organized;

(ii) the name of the chapter 308A or 308B cooperative and, if the name is changed, the name of the housing cooperative to be governed under this chapter; and

(iii) the future effective date and time, which must be a date and time certain, that it will be governed by this chapter, if the effective date and time is not to be the date and time of filing; and

(2) a certificate of amendment amending the housing cooperative's articles to conform with the requirements of this chapter.

(b) The conversion is effective upon the filing with the secretary of state and upon the recording of the written certificate in the county recorder's office.

Subd. 3. **Effect of being governed by this chapter.** The conversion of a housing cooperative organized under chapter 308A or 308B to a cooperative governed by this chapter does not affect any obligations or liabilities of the cooperative before the conversion or the personal liability of any person incurred before the conversion. When the conversion is effective, the rights, privileges, and powers of the cooperative; real and personal property of the cooperative; debts due to the cooperative; and causes of action belonging to the cooperative remain vested in the cooperative and are the property of the cooperative as converted and governed by this chapter. Title to real property vested by deed or otherwise in the housing cooperative organized under chapters 308A and 308B does not revert and is not impaired by reason of the cooperative being converted and governed by this chapter. Rights of creditors and liens upon property of the housing cooperative under chapters 308A and 308B are preserved unimpaired, and debts, liabilities, and duties of the housing cooperative under chapters 308A and 308B remain attached to the housing cooperative as converted and governed by this chapter and may be enforced against the housing cooperative to the same extent as if the debts, liabilities, and duties had originally been incurred or contracted by the cooperative as organized under this chapter. The rights, privileges, powers, and interests in property of the cooperative under chapters 308A and 308B, as well as the debts, liabilities, and duties of the cooperative are not deemed, as a consequence of the conversion, to have been transferred for any purpose of the laws of this state.

Sec. 16. **[308C.235] EXISTENCE.**

Subdivision 1. **Commencement upon filing.** The existence of a cooperative shall commence when the articles are filed with the secretary of state.

Subd. 2. **Duration.** A cooperative shall have a perpetual duration unless the cooperative provides for a limited period of duration in the articles.

Sec. 17. **[308C.241] BYLAWS.**

Subdivision 1. **Required.** A cooperative shall have bylaws governing the cooperative's business affairs, structure, qualifications, and classification, and the rights and obligations of members that are not otherwise provided in the articles or by this chapter.

Subd. 2. **Contents.** (a) If not stated in the articles, the bylaws must state:

(1) the purpose of the cooperative;

(2) the capital structure of the cooperative to the extent not stated in the articles, including a statement of the classes and relative rights, preferences, and restrictions granted to or imposed upon each class of member interests, and the authority to issue membership interests, which may be designated to be determined by the board;

(3) a provision designating the voting and governance rights, to the extent not stated in the articles, including which membership interests have voting power and any limitations or restrictions on the voting power, which shall be in accordance with the provisions of this chapter;

(4) a statement that occupant membership interests with voting power shall be restricted to one vote for each member in the affairs of the cooperative or a statement describing the allocation of voting power allocated as prescribed in this chapter;

(5) a statement that membership interests held by a member are transferable only with the approval of the board or as provided in the bylaws; and

(6) if nonoccupant membership interests are authorized, a statement as to how profits and losses will be allocated and cash will be distributed between occupant membership interests collectively and nonoccupant membership interests collectively to the extent not stated in the articles, a statement that net income allocated to a occupant membership interest as determined by the board in excess of dividends and additions to reserves shall be distributed on the basis of patronage, and a statement that the records of the cooperative shall include occupant membership interests and, if authorized, nonoccupant membership interests, which may be further described in the bylaws of any classes and in the reserves.

(b) The bylaws may contain any provision relating to the management or regulation of the affairs of the cooperative that are not inconsistent with law or the articles, and may include the following:

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

(2) the qualifications of members and any limitations on their number;

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

(4) generally, the governance rights, financial rights, assignability of governance and financial rights, and other rights, privileges, and obligations of members and their membership interests, which may be further described in member agreements;

(5) if the cooperative intends to operate as a limited equity cooperative, the use and calculation of transfer value, including limits on the extent to which membership interests may appreciate in value, and the extent, if any, of the cooperative's power to exercise a right of first refusal or option to acquire a member's interest and the conditions under which that power is exercised;

(6) the basis for allocating common expenses, charges, outlays, and other expenditures or payments of the cooperative among dwelling units. Unless limited in the bylaws, the board of directors may use any approach the board believes to be fair and that is a reasonable reflection of use or consumption that may be utilized, provided that the sum of each category of interests allocated at any time to all memberships under any of the provisions must equal one if stated as a fraction, or 100 percent if stated as a percentage;

(7) the circumstances under which the board of directors may execute share loan recognition agreements with lenders that provide members with loans to finance the purchase of memberships in the cooperative, and the limitations of recognition agreements;

(8) the circumstances under which liens are imposed against membership interests and occupancy rights, how the liens are foreclosed by the cooperative, the process by which the cooperative may remove the members and occupants from the dwelling units, and the circumstances and processes under which the cooperative may terminate the membership and occupancy rights of its members;

(9) a statement that the cooperative will observe the basic cooperative principles that purchases and sales of memberships and rights under occupancy agreements are not for speculative purposes, that investments in the cooperative by members are for the purpose of securing homes for members' use and benefit, and that the policies established by the cooperative will be designed to discourage and avoid speculation either in the sale and resale of memberships and rights under occupancy agreements by members or by the cooperative; and

(10) any provisions required by the articles to be in the bylaws.

(c) Any other provision relating to the management or regulation of the affairs of the cooperative that are not inconsistent with law or the cooperative's articles.

Subd. 3. **Adoption.** (a) Bylaws may be adopted by the organizer or a nonoccupant member if, at the time of adoption, the cooperative does not have any occupant members.

(b) The bylaws of a cooperative may be adopted or amended by the members at a regular or special member meeting if:

(1) the notice of the regular or special meeting contains a statement that the bylaws or restated bylaws will be voted upon and copies are included with the notice, or copies are available upon request from the cooperative, and a summary statement of the proposed bylaws or amendment is included with the notice;

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

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

(c) Until the next annual or special members' meeting, the majority of directors may adopt and amend bylaws for the cooperative that are consistent with subdivisions 4 to 6, which may be further amended or repealed by the members at an annual or special members' meeting.

Subd. 4. **Amendment of bylaws by board or members.** (a) The board may amend the bylaws at any time to add, change, or delete a provision, unless:

(1) this chapter, the articles, or the bylaws reserve the power exclusively to the members in whole or in part; or

(2) a particular bylaw expressly prohibits the board from doing so.

(b) Any amendment of the bylaws by the board must be distributed to the members no later than ten days after adoption and the notice of the annual meeting of the members must contain a notice and summary or the actual amendments to the bylaws adopted by the board.

(c) The members may amend the bylaws even though the bylaws may also be amended by the board.

Subd. 5. **Bylaw changing quorum or voting requirement for members.** (a) The members may amend the bylaws to fix a greater quorum or voting requirement for members, or voting groups of members, than is required under this chapter. An amendment to the bylaws to add, change, or delete a greater quorum or voting requirement for members shall meet the same quorum requirement and be adopted by the same vote

and voting groups required to take action under the quorum and voting requirements then in effect or proposed to be adopted, whichever is greater.

(b) A bylaw that fixes a greater quorum or voting requirement for members under paragraph (a) may not be adopted and shall not be amended by the board.

Subd. 6. **Bylaw changing quorum or voting requirement for directors.** (a) A bylaw that fixes a greater quorum or voting requirement for the board may be amended: (1) if adopted by the members, only by the members; or (2) if adopted by the board, either by the members or by the board.

(b) A bylaw adopted or amended by the members that fixes a greater quorum or voting requirement for the board may provide that the bylaw may be amended only by a specified vote of either the members or the board, but if the bylaw is to be amended by a specified vote of the members, the bylaw must be adopted by the same specified vote of the members.

(c) Action by the board under paragraph (a), clause (2), to adopt or amend a bylaw that changes the quorum or voting requirement for the board shall meet the same quorum requirement and be adopted by the same vote required to take action under the quorum and voting requirement then in effect or proposed to be adopted, whichever is greater.

Subd. 7. **Emergency bylaws.** (a) Unless otherwise provided in the articles or bylaws, the board may adopt bylaws to be effective only in an emergency as defined in paragraph (d). The emergency bylaws, which are subject to amendment or repeal by the members, may include all provisions necessary for managing the cooperative during the emergency, including:

(1) procedures for calling a meeting of the board;

(2) quorum requirements for the meeting; and

(3) designation of additional or substitute directors.

(b) All provisions of the regular bylaws consistent with the emergency bylaws shall remain in effect during the emergency. The emergency bylaws shall not be effective after the emergency ends.

(c) Action taken in good faith in accordance with the emergency bylaws:

(1) binds the cooperative; and

(2) may not be the basis for imposition of liability on any director, officer, employee, or agent of the cooperative on the grounds that the action was not authorized cooperative action.

(d) An emergency exists for the purposes of this section, if a quorum of the directors cannot readily be obtained because of some catastrophic event.

Sec. 18. **[308C.245] COOPERATIVE RECORDS.**

(a) A cooperative shall retain as permanent records minutes of all meetings of its members and of all board meetings, a record of all actions taken by the members or the board without a meeting by a written unanimous consent in lieu of a meeting, and a record of all waivers of notices of meetings of the members and of the board.

(b) A cooperative shall maintain appropriate account records.

(c) A cooperative shall maintain its records in written form or in another form capable of conversion into written form within a reasonable time.

(d) A cooperative shall retain a copy of each of the following records at its principal office:

(1) articles and other governing instruments;

(2) bylaws or other similar instruments;

(3) a record of the names and addresses of its members, in a form that allows preparation of an alphabetical list of members with each member's address;

(4) minutes of member meetings, and records of all actions taken by members without a meeting by unanimous written consent in lieu of a meeting, for the prior three years;

(5) all written communications within the prior three years to members as a group;

(6) a list of the names and business addresses of its current board members and officers;

(7) a copy of its most recent periodic registration delivered to the secretary of state under section 308C.121; and

(8) all financial statements prepared for periods ending during the last fiscal year.

(e) Except as otherwise limited by this chapter, the board of a cooperative shall have discretion to determine what records are appropriate for the purposes of the cooperative, the length of time records are to be retained, and policies relating to the confidentiality, disclosure, inspection, and copying of the records of the cooperative.

Sec. 19. **[308C.301] POWERS.**

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

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

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

(3) has the powers given in section 308C.201 and this section.

Subd. 2. **Legal capacity.** A cooperative may sue and be sued, complain and defend and participate as a party or otherwise in any legal, administrative, or arbitration proceeding, in its corporate name.

Subd. 3. **Contracts with members.** A cooperative may enter into or become a party to a contract or agreement for the cooperative or for the cooperative's members or others or between the cooperative and its members.

Subd. 4. **Holding and transactions of real and personal property.** (a) A cooperative may purchase and hold, lease, mortgage, encumber, sell, exchange, insure, and convey as a legal entity real, personal, and intellectual property, including real estate, buildings, personal property, patents, and copyrights as the business of the cooperative may require, including the sale or other disposition of assets required by the business of the cooperative as determined by the board.

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

Subd. 5. **Buildings.** A cooperative may erect buildings or other structures or facilities on the cooperative's owned or leased property or on a right-of-way legally acquired by the cooperative.

Subd. 6. **Debt instruments.** A cooperative may issue bonds, debentures, or other evidence of indebtedness and may borrow money, may secure any of its obligations by mortgage of or creation of a security interest in or other encumbrances or assignment of all or any of its property, franchises, or income, and may issue guarantees for any legal purpose. The cooperative may form special purpose business entities to secure assets of the cooperative.

Subd. 7. **Advances to occupants.** A cooperative may make advances to its members.

Subd. 8. **Deposits.** A cooperative may accept donations or deposits of money or real personal property from other cooperatives, associations, organizations, agencies, municipalities, local, state and federal governments.

Subd. 9. **Lending, borrowing, investing.** A cooperative may loan or borrow money to or from members, other cooperatives, associations, organizations, agencies, municipalities, local, state and federal governments with security that it considers sufficient. A cooperative may invest and reinvest its funds.

Subd. 10. **Pensions and benefits.** A cooperative may pay pensions, retirement allowances, and compensation for past services to and for the benefit of; and establish, maintain, continue, and carry out, wholly or partially at the expense of the cooperative, employee or incentive benefit plans, trust, and provisions to or for the benefit of any or all of its and its related organizations' officers, managers, directors, governors, employees, and agents; and in the case of a related organization that is a cooperative, members who provide services to the cooperative, and any of their families, dependents, and beneficiaries. It may indemnify and purchase and maintain insurance for and on behalf of a fiduciary of any of these employee benefit and incentive plans, trusts, and provisions.

Subd. 11. **Insurance.** A cooperative may provide for its benefit life insurance and other insurance with respect to the services of any or all of its members, managers, directors, employees, and agents, or on the life of a member for the purpose of acquiring at the death of the member any or all membership interests in the cooperative owned by the member.

Subd. 12. **Ownership interests in other entities.** (a) A cooperative may purchase, acquire, hold, or dispose of the ownership interests of another business entity or organize business entities whether organized under the laws of this state or another state or the United States and assume all rights, interests, privileges, responsibilities, and obligations arising out of the ownership interest.

(b) A cooperative may purchase, own, and hold ownership interests, including stock and other equity interests, memberships, interests in nonstock capital, and evidences of indebtedness of any domestic business entity or foreign business entity.

Subd. 13. **Fiduciary powers.** A cooperative may exercise any and all fiduciary powers in relations with members, other cooperatives, associations, organizations, agencies, municipalities, local, state and federal governments.

Sec. 20. **[308C.305] EMERGENCY POWERS.**

(a) In anticipation of or during an emergency defined in paragraph (d), the board may:

(1) modify lines of succession to accommodate the incapacity of any director, officer, employee, or agent; and

(2) relocate the principal office, designate alternative principal offices or regional offices, or authorize the officers to do so.

(b) During an emergency as contemplated in paragraph (d), unless emergency bylaws provide otherwise:

(1) notice of a meeting of the board need be given only to those directors to whom it is practicable to reach and may be given in any practicable manner, including by publication or radio; and

(2) one or more officers of the cooperative present at a meeting of the board may be deemed to be directors for the meeting, in order of rank and within the same rank in order of seniority, as necessary to achieve a quorum.

(c) Cooperative action taken in good faith during an emergency under this section to further the ordinary business affairs of the cooperative:

(1) binds the cooperative; and

(2) may not be the basis for the imposition of liability on any director, officer, employee, or agent of the cooperative on the grounds that the action was not an authorized cooperative action.

(d) An emergency exists for purposes of this section if a quorum of the directors cannot readily be obtained because of a catastrophic event.

Sec. 21. **[308C.311] OCCUPANCY AGREEMENTS AND PROPRIETARY LEASES.**

Subdivision 1. **Authority.** A cooperative and its occupant members may make and execute an occupancy agreement, proprietary lease, or other agreements that specify the terms of the occupant members' lease or occupancy of a unit or dwelling unit.

Subd. 2. **Title to unit or dwelling unit.** Title to cooperative property consisting of a dwelling unit or units shall at all times remain the property of the cooperative. Title to any manufactured home owned by a member placed in a manufactured home park owned by a cooperative pursuant to a proprietary lease remains in the name of the member.

Subd. 3. **Damages for breach of contract.** The bylaws, an occupancy agreement, or proprietary lease may include the requirement of the member to pay liquidated damages to the cooperative for breach of any provision of an occupancy agreement, proprietary lease, or other agreement. The remedies for breach of contract are valid and enforceable in the courts of this state.

Sec. 22. **[308C.312] LIMITED EQUITY COOPERATIVES.**

A cooperative formed under this chapter may organize as a limited equity cooperative in order to fulfill the public purpose of providing and preserving housing for persons and households of low and moderate income at the time that they purchase their memberships. In addition to safeguarding the foregoing public purpose, a limited equity cooperative shall meet the following requirements:

(1) the articles shall require that cooperative interests be sold at no more than a transfer value determined by a limited equity formula contained in the articles. That value shall be consistent with the object of maintaining long-term affordability of membership interests for persons or households of low and moderate income;

(2) a limited equity formula, once established by a cooperative in its articles, may be amended only if that amendment does not make the cooperative membership unaffordable for low or moderate income households for which the cooperative was originally incorporated. A limited equity cooperative once organized under this chapter may not reorganize as other than a limited equity cooperative without first dissolving;

(3) a limited equity cooperative shall not sell all or substantially all of its assets if such sale is intended to circumvent the public purposes of this section;

(4) the articles shall require that the cooperative shall have the first right to repurchase a member's cooperative interest;

(5) the articles shall require that the total distribution out of capital to a member shall not exceed the transfer value; and

(6) the articles shall require that upon dissolution of the cooperative, any assets remaining after retirement of corporate debts and distribution to members shall be distributed to a charitable organization described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended, a public agency, or another limited equity cooperative whose formula for determining transfer value shall be no less restrictive than that of the cooperative being dissolved.

Sec. 23. **[308C.401] BOARD GOVERNS COOPERATIVE.**

A cooperative shall be governed by its board, which shall take all action for and on behalf of the cooperative, except those actions reserved or granted to members. Board action shall be by the affirmative vote of a majority of the directors voting at a duly called meeting unless a greater majority is required by the articles or bylaws. A director individually or collectively with other directors does not have authority to act for or on behalf of the cooperative unless authorized by the board. A director may advocate interests of members or member groups to the board, but the duty of each director is to represent the best interests of the cooperative and all members collectively.

Sec. 24. **[308C.405] NUMBER OF DIRECTORS.**

A board of directors must consist of three or more individuals, with the number specified in or fixed in accordance with the articles or bylaws. The power to elect or appoint directors is vested in the members. If the number of directors is fewer than three, or such greater minimum number set forth in the articles or bylaws, a majority of the directors in office may appoint or elect the number of additional directors necessary to increase the board to three directors or such greater minimum set forth in the articles or bylaws.

Sec. 25. **[308C.411] ELECTION OF DIRECTORS.**

Subdivision 1. **First board.** Unless appointed by a developer, the organizer or organizers shall elect and obtain the acknowledgment of the first board to serve until directors are elected by members. Until election by members, the first board shall appoint directors to fill any vacancies. The first board may be named in the articles.

Subd. 2. **Generally.** (a) Directors shall be elected for the term, at the time, and in the manner provided in this section and the bylaws.

(b) Except for the first board, all of the directors shall be members and shall be elected exclusively by the members holding occupant membership interests.

(c) The voting authority of the directors may be allocated according to equity classifications of the cooperative provided that at least two-thirds (2/3) of the voting power on general matters of the cooperative shall be allocated to the directors who are members holding occupant membership interests.

(d) A director holds office for the term the director was elected and until a successor is elected and has qualified, or until the earlier death, resignation, removal, or disqualification of the director.

(e) The expiration of a director's term with or without election of a qualified successor does not make the prior or subsequent acts of the director or the board void or voidable.

(f) Subject to any limitation in the articles or bylaws, directors shall not be compensated, but may be reimbursed reasonable and necessary expenses incurred when they are acting on behalf of the board of directors.

(g) Directors may be divided into or designated and elected by class or other distinction as provided in the articles or bylaws.

(h) A director may resign by giving written notice to the chair of the board or the board. The resignation is effective without acceptance when the notice is given to the chair of the board or the board unless a later effective time is specified in the notice.

Subd. 3. **Election at regular meeting.** Directors shall be elected at the regular member meeting for the terms of office prescribed in the bylaws. Except for directors elected at special meetings to replace a vacancy, all directors shall be elected at the regular member meeting.

Subd. 4. **Vote by mail or alternative ballot.** The following shall apply to voting by mail or alternative ballot voting:

(1) a member may not vote for a director other than by being present at a meeting or by mail ballot or alternative ballot authorized by the board;

(2) the ballot shall be in a form prescribed by the board;

(3) the member shall mark the ballot for the candidate chosen and mail the ballot to the cooperative in a sealed plain envelope inside another envelope bearing the member's name, or shall vote designating the candidate chosen by alternative ballot in the manner prescribed by the board; and

(4) if the ballot of the member is received by the cooperative on or before the date of the regular member meeting or as otherwise prescribed for alternative ballots, the ballot shall be accepted and counted as the vote of the absent member.

Subd. 5. **Business entity members may nominate persons for director.** If a member of a cooperative is not a natural person, and the bylaws do not provide otherwise, the member may appoint or elect one or more natural persons to be eligible for election as a director.

Subd. 6. **Acts not void or voidable.** The expiration of a director's term with or without the election of a qualified successor does not make prior or subsequent acts of the director void or voidable.

Sec. 26. **[308C.415] FILLING VACANCIES.**

Subdivision 1. **Occupant directors.** If an occupant member director's position becomes vacant or a new director position is created for a director that was or is to be elected by occupant members, the board, in consultation with the directors elected by occupant members, shall appoint an occupant member of the cooperative to fill the director's position until the next regular or special members' meeting. If there are no directors elected by occupant members on the board at the time of the vacancy, a special members' meeting shall be called to fill the occupant member director vacancy.

Subd. 2. **Nonoccupant directors.** If the vacating director was not elected by the occupant members or a new director position is created, unless otherwise provided in the articles or bylaws, the board shall appoint a director to fill the vacant position by majority vote of the remaining or then serving directors even though less than a quorum. At the next regular or special members' meeting, the members shall elect a director to fill the unexpired term of the vacant director's position.

Sec. 27. **[308C.421] REMOVAL OF DIRECTORS.**

Subdivision 1. **Modification.** The provisions of this section apply unless modified by the articles or the bylaws.

Subd. 2. **Removal by directors.** A director may be removed at any time, with or without cause, if:

(1) the director was named by the board to fill a vacancy;

(2) the members have not elected directors in the interval between the time of the appointment to fill a vacancy and the time of the removal; and

(3) a majority of the remaining directors present affirmatively vote to remove the director.

Subd. 3. **Removal by members.** Any one or all of the directors may be removed at any time, with or without cause, by the affirmative vote of the holders of a majority of the entire membership of record at any duly called annual meeting, or at any special meeting called for the purpose of removing or electing directors; provided that if a director has been elected solely by the occupant members or the holders of a class or series of membership interests as stated in the articles or bylaws, then that director may be removed only by the affirmative vote of the holders of a majority of the voting power of the occupant members for a director elected by the occupant members or of all membership interests of that class or series entitled to vote at an election of that director.

Subd. 4. **Election of replacements.** New directors may be elected at a meeting at which directors are removed.

Sec. 28. **[308C.425] BOARD OF DIRECTORS' MEETINGS.**

Subdivision 1. **Time and place.** Meetings of the board may be held from time to time as provided in the articles or bylaws. If the meeting is an open meeting as provided for in this chapter, it must be held on the cooperative's premises or at such other location that the cooperative's members can reasonably attend. If the meeting is a closed meeting as authorized by this chapter, the meeting may be held at any location designated by the board.

Subd. 2. **Open meetings.** Meetings of the board must be open to all members, subject to the following requirements:

(1) to the extent practicable, the board shall give reasonable notice to the members of the date, time, and place of each open board meeting. If the date, time, and place of meetings are provided for in the bylaws, announced at a previous meeting of the board, posted in a location accessible to the members and designated by the board from time to time, or if an emergency requires immediate consideration of a matter by the board, notice is not required;

(2) meetings may be closed to discuss the following:

(i) personnel matters;

(ii) pending or potential litigation, arbitration, or other potentially adversarial proceedings between members or between the board or cooperative and members, or other matters in which any member may have an adversarial interest if the board determines that closing the meeting is necessary to discuss strategy or to otherwise protect the position of the board or cooperative or the privacy of a member;

(iii) criminal activity arising within the cooperative if the board determines that closing the meeting is necessary to protect the privacy of the victim or that opening the meeting would jeopardize investigation of the activity;

(iv) meetings with legal counsel for counsel and advice on any matter of concern to the board; and

(v) review of financial and other lawful information required by the board of directors of all applicants for membership in the cooperative; and

(3) the minutes of any part of a meeting that is closed under this section may be kept confidential at the discretion of the board.

Subd. 3. **Electronic communications.** (a) A conference among directors by any means of communication through which the directors may simultaneously hear each other during the conference constitutes a board meeting if the same notice is given of the conference as would be required by subdivision 3 for a meeting and if the number of directors participating in the conference would be sufficient to constitute a quorum at a meeting. Participation in a meeting by that means constitutes presence in person at the meeting.

(b) A director may participate in an in-person board meeting by any means of communication through which the director, other directors so participating, and all directors physically present at the meeting may simultaneously hear each other during the meeting. Participation in a meeting by that means constitutes presence in person at the meeting.

Subd. 4. **Calling meetings and notice.** Unless the articles or bylaws provide for a different time period, a director may call a board meeting by giving at least ten days' notice or, in the case of organizational meetings, at least three days' notice to all directors of the date, time, and place of the meeting. The notice need not state the purpose of the meeting unless this chapter, the articles, or the bylaws require it.

Subd. 5. **Previously scheduled meetings.** If the day or date, time, and place of a board meeting have been provided in the articles or bylaws, or announced at a previous meeting of the board, no notice is required. Notice of an adjourned meeting need not be given other than by announcement at the meeting at which adjournment is taken.

Subd. 6. **Waiver of notice.** A director may waive notice of a meeting of the board. A waiver of notice by a director entitled to notice is effective whether given before, at, or after the meeting, and whether given in writing, orally, or by attendance. Attendance by a director at a meeting is a waiver of notice of that meeting, except where the director objects at the beginning of the meeting to the transaction of business because the

meeting is not lawfully called or convened and the director does not participate in the meeting after the objection.

Subd. 7. **Absent directors.** If the articles or bylaws so provide, a director may give advance written consent or opposition to a proposal to be acted on at a board meeting. If the director is not present at the meeting, consent, or opposition to a proposal does not constitute presence for purposes of determining the existence of a quorum, but consent or opposition must be counted as the vote of a director present at the meeting in favor of or against the proposal and must be entered in the minutes or other record of action at the meeting, if the proposal acted on at the meeting is substantially the same or has substantially the same effect as the proposal to which the director has consented or objected.

Sec. 29. **[308C.431] QUORUM.**

A majority, or a larger portion or number provided in the articles or bylaws, of the directors currently holding office is a quorum for the transaction of business. In the absence of a quorum, a majority of the directors present may adjourn a meeting from time to time until a quorum is present. If a quorum is present when a duly called or held meeting is convened, the directors present may continue to transact business until adjournment, even though the withdrawal of a number of directors originally present leaves less than the proportion of number otherwise required for a quorum.

Sec. 30. **[308C.435] ACT OF BOARD OF DIRECTORS.**

The board shall take action by the affirmative vote of a majority of directors present at a duly held meeting at the time the action is taken, except where this chapter, the articles, or bylaws require the affirmative vote of a larger proportion or number. If the articles or bylaws require a larger proportion or number than is required by this chapter for a particular action, the articles or bylaws control.

Sec. 31. **[308C.441] ACTION WITHOUT A MEETING.**

Subdivision 1. **Method.** An action required or permitted to be taken at a board meeting may be taken by written action signed by all of the directors. If the articles or bylaws so provide, any action, other than an action requiring member approval, may be taken by written action signed by the number of directors that would be required to take the same action at a meeting of the board at which all directors were present. If the board takes an action without a meeting, the written action must be signed by all of the members of the board, must state why the action was taken without a meeting, and must be placed in the corporate records of the cooperative.

Subd. 2. **Effective time.** The written action is effective when signed by the required number of directors, unless a different effective time is provided in the written action.

Subd. 3. **Notice and liability.** When written action is permitted to be taken by less than all directors, all directors must be notified immediately of its text and effective date. Failure to provide the notice does not invalidate the written action. A director who does not sign or consent to the written action has no liability for the action or actions taken by the written action.

Sec. 32. **[308C.451] COMMITTEES.**

Subdivision 1. **Generally.** If the bylaws so provide, the board may establish committees. A resolution approved by the affirmative vote of a majority of the board may establish committees having the authority of the board in the management of the business of the cooperative only to the extent provided in the resolution.

Committees may include a special litigation committee consisting of one or more independent directors or other independent persons to consider legal rights or remedies of the cooperative and whether those rights and remedies should be pursued. Committees other than special litigation committees are subject at all times to the direction and control of the board.

Subd. 2. **Membership.** Committee members must be natural persons. Unless the articles or bylaws provide for a different membership or manner of appointment, a committee consists of one or more persons, who need not be directors or members, appointed by affirmative vote of a majority of the directors present.

Subd. 3. **Procedure.** The procedures for meetings of the board apply to committees and members of committees to the same extent as those sections apply to the board and individual directors.

Subd. 4. **Minutes.** Minutes, if any, of committee meetings must be made available upon request to members of the committee and to any director.

Subd. 5. **Standard of conduct.** The establishment of, delegation of authority to, and action by a committee does not alone constitute compliance by a director with the standard of conduct set forth in section 308C.455.

Subd. 6. **Committee members considered directors.** Committee members are considered to be directors for purposes of sections 308C.455, 308C.461, and 308C.471.

Sec. 33. **[308C.455] STANDARD OF CONDUCT.**

Subdivision 1. **Standard and liability.** A director shall discharge the duties of the position of director in good faith, in a manner the director reasonably believes to be in the best interests of the cooperative, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. A person who so performs those duties is not liable by reason of being or having been a director of the cooperative.

Subd. 2. **Reliance.** (a) A director is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, in each case prepared or presented by:

(1) one or more officers or employees of the cooperative who the director reasonably believes to be liable and competent in the matters presented;

(2) counsel, public accountants, the general manager or management company, or other persons as to matters that the director reasonably believes are within the person's professional or expert competence; or

(3) a committee of the board upon which the director does not serve, duly established by the board, as to matters within its designated authority, if the director reasonably believes the committee to merit confidence.

(b) Paragraph (a) does not apply to a director who has knowledge concerning the matter in question that makes the reliance otherwise permitted by paragraph (a) unwarranted.

Subd. 3. **Presumption of assent and dissent.** A director who is present at a meeting of the board when an action is approved by the affirmative vote of a majority of the directors present is presumed to have assented to the action approved, unless the director:

(1) objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened and does not participate in the meeting after the objection, in which case the director is not considered to be present at the meeting for any purpose of this chapter;

(2) votes against the action at the meeting; or

(3) is prohibited by a conflict of interest from voting on the action.

Subd. 4. **Considerations.** In discharging the duties of the position of director, a director may, in considering the best interests of the cooperative, consider the interests of the cooperative's employees, vendors, agents, suppliers, and creditors, the economy of the state, and long-term as well as short-term interests of the cooperative and its members, including the possibility that these interests may be best served by the continued independence of the cooperative.

Sec. 34. **[308C.461] DIRECTOR CONFLICTS OF INTEREST.**

Subdivision 1. **Conflict and procedure when conflict arises.** (a) A contract or other transaction between a cooperative and one or more of its directors, or between a cooperative and a business entity in or of which one or more of its directors are governors, directors, managers, officers, or legal representatives or have a material financial interest, is not void or voidable because the director or directors or the other business entities are parties or because the director or directors are present at the meeting of the members or the board or a committee at which the contract or transaction is authorized, approved, or ratified, if:

(1) the contract or transaction was, and the person asserting the validity of the contract or transaction sustains the burden of establishing that the contract or transaction was, fair and reasonable as to the cooperative at the time it was authorized, approved, or ratified, and:

(i) the material facts as to the contract or transaction and as to the director's or directors' interest are disclosed or known to the members; and

(ii) the material facts as to the contract or transaction and as to the director's or directors' interest are fully disclosed or known to the board or a committee, and the board or committee authorizes, approves, or ratifies the contract or transaction in good faith by a majority of the board or committee, but the interested director or directors are not counted in determining the presence of a quorum and must not vote; or

(2) the contract or transaction is a distribution, contract, or transaction that is made available to all members as part of the cooperative's business.

(b) If a committee is elected or appointed to authorize, ratify, or approve a contract or transaction under this section, the members of the committee must not have a conflict of interest and be charged with representing the best interests of the cooperative.

Subd. 2. **Material financial interest.** For purposes of this section: a director has a material financial interest in each organization in which the director or the spouse; parents; children and spouses of children; brothers and sisters and spouses of brothers and sisters; and the brothers and sisters of the spouse of the director or any combination of them have a material financial interest. For purposes of this section, a contract or other transaction between a cooperative and the spouse; parents; children and spouses of children; brothers and sisters and spouses of brothers and sisters; and the brothers and sisters of the spouse of a director or any combination of them, is considered to be a transaction between the cooperative and the director.

Sec. 35. **[308C.465] LIMITATION OF DIRECTOR'S LIABILITY.**

Subdivision 1. **Articles may limit liability.** A director's personal liability to the cooperative or members for monetary damages for breach of the standards of conduct may be eliminated or limited in the articles or bylaws except as provided in subdivision 2.

Subd. 2. **Restrictions on liability limitation.** The articles or bylaws may not eliminate or limit the liability of a director:

(1) for a breach of the director's obligation to act in good faith in a manner the director reasonably believes to be in the best interests of the cooperative, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances;

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

(3) for knowing violations of laws or for illegal distributions;

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

(5) for an act or omission occurring before the date when the provision in the articles or bylaws eliminating or limiting liability becomes effective.

Sec. 36. **[308C.471] INDEMNIFICATION.**

Subdivision 1. **Definitions.** (a) The definitions in this subdivision apply to this section.

(b) "Cooperative" includes a domestic or foreign cooperative that was the predecessor of the cooperative referred to in this section in a conversion, merger, or other transaction in which the predecessor's existence ceased upon consummation of the transaction.

(c) "Official capacity" means:

(1) with respect to a director, the position of director in a cooperative;

(2) with respect to a person other than a director, the elective or appointive office or position held by the person, member of a committee of the board, the employment relationship undertaken by an employee of the cooperative, or the scope of the services provided by members of the cooperative who provide services to the cooperative; and

(3) with respect to a director, general manager, member, or employee of the cooperative who, while a member, director, general manager, or employee of the cooperative, is or was serving at the request of the cooperative or whose duties in that position involve or involved service as a governor, director, manager, officer, member, partner, trustee, employee, or agent of another organization or employee benefit plan, the position of that person as a governor, director, manager, officer, member, partner, trustee, employee, or agent, as the case may be, of the other organization or employee benefit plan.

(d) "Proceeding" means a threatened, pending, or completed civil, criminal, administrative, arbitration, or investigative proceeding, including a proceeding by or in the right of the cooperative.

(e) "Special legal counsel" means counsel who has not represented the cooperative or a related organization, or a director, manager, member of a committee of the board, or employee whose indemnification is in issue.

Subd. 2. **Indemnification.** (a) Subject to the provisions of subdivision 4, a cooperative shall indemnify a person made or threatened to be made a party to a proceeding by reason of the former or present official capacity of the person against judgments, penalties, fines, including, without limitation, excise taxes assessed against the person with respect to an employee benefit plan, settlements, and reasonable expenses, including

attorney fees and disbursements incurred by the person in connection with the proceeding, if, with respect to the acts or omissions of the person complained of in the proceeding, the person:

(1) has not been indemnified by another organization or employee benefit plan for the same judgments, penalties, fines, including, without limitation, excise taxes assessed against the person with respect to an employee benefit plan, settlements, and reasonable expenses, including attorney fees and disbursements incurred by the person in connection with the proceeding with respect to the same acts or omissions;

(2) acted in good faith;

(3) received no improper personal benefit and the person has not committed an act for which liability cannot be eliminated or limited under section 308C.465, subdivision 2;

(4) in the case of a criminal proceeding, had no reasonable cause to believe the conduct was unlawful; and

(5) in the case of acts or omissions occurring in the official capacity described in subdivision 1, paragraph (c), clause (1) or (2), reasonably believed that the conduct was in the best interests of the cooperative, or in the case of acts or omissions occurring in the official capacity described in subdivision 1, paragraph (c), clause (3), reasonably believed that the conduct was not opposed to the best interests of the cooperative. If the person's acts or omissions complained of in the proceeding relate to conduct as a director, officer, trustee, employee, or agent of an employee benefit plan, the conduct is not considered to be opposed to the best interests of the cooperative if the person reasonably believed that the conduct was in the best interests of the participants or beneficiaries of the employee benefit plan.

(b) The termination of a proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent does not, of itself, establish that the person did not meet the criteria set forth in this subdivision.

Subd. 3. **Advances.** Subject to the provisions of subdivision 4, if a person is made or threatened to be made a party to a proceeding, the person is entitled, upon written request to the cooperative, to payment or reimbursement by the cooperative of reasonable expenses, including attorney fees and disbursements incurred by the person in advance of the final disposition of the proceeding:

(1) upon receipt by the cooperative of a written affirmation by the person of a good faith belief that the criteria for indemnification set forth in subdivision 2 have been satisfied, and a written undertaking by the person to repay all amounts paid or reimbursed by the cooperative, if it is ultimately determined that the criteria for indemnification has not been satisfied; and

(2) after a determination that the facts then known to those making the determination would not preclude indemnification under this section.

The written undertaking required by clause (1) is an unlimited general obligation of the person making it, but need not be secured and shall be accepted without reference to financial ability to make the repayment.

Subd. 4. **Prohibition or limit on indemnification or advances.** The articles or bylaws either may prohibit indemnification or advances of expenses otherwise required by this section or may impose conditions on indemnification or advances of expenses in addition to the conditions contained in subdivisions 2 and 3, including, without limitation, monetary limits on indemnification or advances of expenses if the conditions apply equally to all persons or to all persons within a given class. A prohibition or limit on indemnification or advances of expenses may not apply to or affect the right of a person to indemnification or advances of expenses with respect to any acts or omissions of the person occurring before the effective date of a provision

in the articles or the date of adoption of a provision in the bylaws establishing the prohibition or limit on indemnification or advances of expenses.

Subd. 5. **Reimbursement to witnesses.** This section does not require, or limit the ability of a cooperative to reimburse expenses, including attorney fees and disbursements incurred by a person in connection with an appearance as a witness in a proceeding at a time when the person has not been made or threatened to be made a party to a proceeding.

Subd. 6. **Determination of eligibility.** (a) All determinations whether indemnification of a person is required because the criteria set forth in subdivision 2 have been satisfied and whether a person is entitled to payment or reimbursement of expenses in advance of the final disposition of a proceeding as provided in subdivision 3 must be made:

(1) by the board by a majority of a quorum, if the directors who are, at the time, parties to the proceeding are not counted for determining either a majority or the presence of a quorum;

(2) if a quorum under clause (1) cannot be obtained by a majority of a committee of the board consisting solely of two or more directors not at the time parties to the proceeding duly designated to act in the matter by a majority of the full board, including directors who are parties;

(3) if a determination is not made under clause (1) or (2) by special legal counsel selected either by a majority of the board or a committee by vote under clause (1) or (2) or if the requisite quorum of the full board cannot be obtained and the committee cannot be established by a majority of the full board, including directors who are parties;

(4) if a determination is not made under clauses (1) to (3) by the affirmative vote of the members, but the membership interests held by parties to the proceeding must not be counted in determining the presence of a quorum, and are not considered to be present and entitled to vote on the determination; or

(5) if an adverse determination is made under clauses (1) to (4) or paragraph (b), or if no determination is made under clauses (1) to (4) or paragraph (b) within 60 days after (i) the later to occur of the termination of a proceeding or a written request for indemnification to the cooperative, or (ii) a written request for an advance of expenses, as the case may be, by a court in this state, which may be the same court in which the proceeding involving the person's liability took place upon application of the person and any notice the court requires. The person seeking indemnification or payment or reimbursement of expenses under this clause has the burden of establishing that the person is entitled to indemnification or payment or reimbursement of expenses.

(b) With respect to a person who is not, and was not at the time of the acts or omissions complained of in the proceedings; a director, general manager, or person possessing, directly or indirectly, the power to direct or cause the direction of the management or policies of the cooperative; the determination whether indemnification of this person is required because the criteria set forth in subdivision 2 have been satisfied; and whether this person is entitled to payment or reimbursement of expenses in advance of the final disposition of a proceeding as provided in subdivision 3 may be made by an annually appointed committee of the board, having at least one member who is a director. The committee shall report at least annually to the board concerning its actions.

Subd. 7. **Insurance.** A cooperative may purchase and maintain insurance on behalf of a person in that person's official capacity against any liability asserted against and incurred by the person in or arising from that capacity, whether or not the cooperative would have been required to indemnify the person against the liability under the provisions of this section.

Subd. 8. **Disclosure.** A cooperative that indemnifies or advances expenses to a person in accordance with this section in connection with a proceeding by or on behalf of the cooperative shall report to the members in writing the amount of the indemnification or advance and to whom and on whose behalf it was paid not later than the next meeting of members.

Subd. 9. **Indemnification of other persons.** Nothing in this section shall be construed to limit the power of the cooperative to indemnify persons other than a director, general manager, member, employee, or member of a committee of the board of the cooperative by contract or otherwise.

Sec. 37. **[308C.475] OFFICERS.**

Subdivision 1. **Required officers.** (a) The board shall elect:

(1) a president or chief executive officer;

(2) one or more vice presidents;

(3) a secretary; and

(4) a treasurer or chief financial officer.

(b) The officers, other than the president or a general manager, shall not have the authority to bind the cooperative except as authorized by the board.

Subd. 2. **Additional officers.** The board may elect additional officers as the articles or bylaws authorize or require.

Subd. 3. **Treasurer and secretary may be combined.** The offices of secretary and treasurer may be combined.

Subd. 4. **Officers must be members.** All officers must be members of the cooperative.

Subd. 5. **Election of officers.** Officers of the cooperative shall be elected at such intervals as the articles or bylaws authorize or require and will hold office at the pleasure of the board.

Subd. 6. **Removal of officers.** Upon an affirmative vote of a majority of the members of the board, any officer may be removed with or without cause, and the officer's successor selected at any regular meeting of the board, or at any special meeting of the board called for such a purpose.

Subd. 7. **General manager.** The board may employ a general manager to manage the day-to-day affairs and business of the cooperative, and if a general manager is employed, the general manager shall have the authority to implement the functions, duties, and obligations of the cooperative except as restricted by the board. The general manager shall not exercise authority reserved to the board or the members under this chapter, the articles, or the bylaws.

Sec. 38. **[308C.501] MEMBERS.**

Subdivision 1. **Requirement.** A cooperative shall have one or more members.

Subd. 2. **Classes of members.** A cooperative may have one class of members, all of whom are occupant members or a cooperative may have more than one class of members as long as one class of members are occupant members.

Subd. 3. **Member violations.** (a) A member who knowingly, intentionally, or repeatedly violates a provision of the articles, bylaws, occupancy agreement, proprietary lease or rules, policies, and procedures promulgated by the board may be required by the board to surrender the member's membership interest and occupancy rights or any other financial rights of membership interests of any class owned by a member, or both.

(b) The cooperative shall refund to the member for the surrendered membership interest at the lesser of the book value or the price paid the member for the membership interest payable in not more than seven years from the date of surrender.

(c) Membership interests required to be surrendered may be reissued or be retired and canceled by the board.

(d) The board may establish a procedure for members to dispute the basis for an alleged violation.

Subd. 4. **Inspection of cooperative records by member.** (a) A member is entitled to inspect and copy, at the member's expense, during regular business hours at a reasonable location specified by the cooperative, any of the records described in section 308C.245 if the member meets the requirements of paragraph (b) and gives the cooperative written demand at least five business days before the date on which the member wishes to inspect and copy the records. Notwithstanding the provisions of this subdivision or any provisions of section 308C.245, a cooperative may limit a member's right to inspect or copy any records of the cooperative relating to the amount of equity capital in the cooperative held by any person or any accounts receivable or other amounts due the cooperative from any person, or any personnel records or employment records of any employee.

(b) To be entitled to inspect and copy permitted records, the member shall meet the following requirements:

(1) the demand is made in good faith and for a proper cooperative business purpose;

(2) the member describes with reasonable particularity the purpose and the records the member desires to inspect; and

(3) the records are directly connected with the described purpose.

(c) The right of inspection granted by this subdivision shall not be abolished or limited by the articles, bylaws, or any actions of the board or the members.

(d) This subdivision does not affect:

(1) the right of a member to inspect records to the same extent as any other litigant if the member is in litigation with the cooperative; or

(2) the power of a court to compel the production of the cooperative's records for examination.

(e) Notwithstanding any other provision in this subdivision, if the records to be inspected or copied are in active use or storage and, therefore, not available at the time otherwise provided for inspection or copying, the cooperative shall notify the member and shall set a date and hour within three business days of the date otherwise set in this subdivision for the inspection or copying.

(f) A member's agent or attorney has the same inspection and copying rights as the member. The right to copy records under this subdivision includes, if reasonable, the right to receive copies made by photographic copying, xerographic copying, or other means. The cooperative may impose a reasonable charge, covering

the costs of labor and material, for copies of any documents provided to the member. The charge may not exceed the estimated cost of production and reproduction of the records.

(g) If a cooperative refuses to allow a member, or the member's agent or attorney, who complies with this subdivision to inspect or copy any records that the member is entitled to inspect or copy within a prescribed time limit or, if none, within a reasonable time, the district court of the county in this state where the cooperative's principal office is located or, if it has no principal office in this state, the district court of the county in which its registered office is located may, on application of the member, summarily order the inspection or copying of the records demanded at the cooperative's expense.

(h) If a court orders inspection or copying of the records demanded, unless the cooperative proves that it refused inspection or copying in good faith because it had a reasonable basis for doubt about the right of the member or the member's agent or attorney to inspect or copy the records demanded:

(1) the court may order the losing party to pay the prevailing party's reasonable costs, including reasonable attorney fees;

(2) the court may order the losing party to pay the prevailing party for any damages the prevailing party shall have incurred by reason of the subject matter of the litigation;

(3) if inspection or copying is ordered under this paragraph, the court may order the cooperative to pay the member's inspection and copying expenses;

(4) the court may grant either party any other remedy provided by law; and

(5) the court may impose reasonable restrictions on the use or distribution of the records by the demanding member.

Sec. 39. **[308C.502] MEMBER RESTRICTIONS.**

Subdivision 1. **Older persons.** In accordance with the applicable provisions of the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended; United States Code, title 42, chapter 3607, section 807(a)(b)(1)(2), and the rules and regulations of the United States Department of Housing and Urban Development applicable with respect to housing for older persons contained in Code of Federal Regulations, title 24, subtitle B, chapter I, subpart E, section 100.300-308, membership and housing in a cooperative governed by this chapter may be age restricted to older persons. As used in this section, "housing for older persons" means housing:

(1) intended for, and solely occupied by, persons 62 years of age or older, except that:

(i) as to joint holders of a membership, only one person need be age 62 or older; and

(ii) as to a trust that is the holder of a membership pursuant to the requirements of this chapter, only one beneficiary who intends to occupy the cooperative as a member need be age 62 or older; or

(2) intended and operated for occupancy by persons 55 years of age or older, and:

(i) at least 80 percent of the occupied units are occupied by at least one person who is 55 years of age or older;

(ii) the housing facility or community publishes and adheres to policies and procedures that demonstrate the intent required under this clause; and

(iii) the housing facility or community complies with rules issued by the secretary of housing and urban development for verification of occupancy, which shall:

(A) provide for verification by reliable surveys and affidavits; and

(B) include examples of the types of policies and procedures relevant to a determination of compliance with the requirement of item (ii). Such surveys and affidavits shall be admissible in administrative and judicial proceedings for the purposes of such verification.

Subd. 2. **Persons of low or moderate income.** In accordance with the applicable provisions of the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended; United States Code, title 42, chapter 3607, section 807(a)(b)(1)(2), membership and housing in a cooperative governed by this chapter may be restricted to persons of low or moderate income.

Subd. 3. **Persons by activity.** Membership and housing in a cooperative governed by this chapter may be restricted to persons engaged in a specific activity or persons who meet a specified characteristic based on past activity provided such restriction does not violate any provision of the Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended; United States Code, title 42, chapter 3607, section 807(a)(b)(1)(2).

Subd. 4. **Additional restrictions.** Cooperatives governed by this chapter may impose the same age or income restrictions on any nonmember occupants the board may permit to reside at the housing cooperative.

Sec. 40. **[308C.505] MEMBER NOT LIABLE FOR COOPERATIVE DEBTS.**

A member is not, merely on the account of that status, personally liable for the acts, debts, liabilities, or obligations of a cooperative. A member is liable for any unpaid subscription for the membership interest, unpaid membership fees or carrying charges, or a debt for which the member has separately contracted with the cooperative.

Sec. 41. **[308C.511] REGULAR MEMBER MEETINGS.**

Subdivision 1. **Annual meeting.** Regular member meetings shall be held annually at a time determined by the board, unless more frequent meetings are provided for in the bylaws.

Subd. 2. **Location.** The regular member meeting shall be held at the principal place of business of the cooperative or at another conveniently located place as determined by the bylaws or the board.

Subd. 3. **Business and fiscal reports.** Unless additional information is required by the bylaws, the officers shall submit reports to the members at the regular member meetings covering the business of the cooperative for the previous fiscal year that show the financial condition of the cooperative at the close of the fiscal year.

Subd. 4. **Election of directors.** All directors shall be elected at the regular member meeting for the terms of office prescribed in the bylaws.

Subd. 5. **Notice.** The cooperative shall give notice of regular member meetings by personal delivery of the meeting notice to each member or mailing the regular member meeting notice to each member at the member's post office address as it appears on the membership book of the cooperative, or by other notification approved by the board and agreed to by the members. The regular member meeting notice shall be published or otherwise given by approved method at least two weeks before the date of the meeting, or mailed at least 15 days, but not more than 30 days before the date of the meeting.

Subd. 6. **Waiver and objections.** A member may waive notice of a meeting of members. A waiver of notice by a member entitled to notice is effective whether given before, at, or after the meeting, and whether given in writing, orally, or by attendance. Attendance by a member at a meeting is a waiver of notice of that meeting, except where the member objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened, or objects before a vote on an item of business because the item may not lawfully be considered at that meeting and does not participate in the consideration of the item at that meeting.

Sec. 42. **[308C.515] SPECIAL MEMBER MEETINGS.**

Subdivision 1. **Calling meeting.** Special member meetings of the members may be called by:

(1) a majority vote of the board; or

(2) the written petition of at least 20 percent of the occupant members and, if authorized, 20 percent of the nonoccupant members, 20 percent of all members, or members representing 20 percent of the membership interests collectively are submitted to the secretary.

Subd. 2. **Notice.** The cooperative shall give notice of a special member meeting by mailing the special member meeting notice to each member personally at the person's post office address as it appears on the membership book of the cooperative or an alternative method approved by the board and the member individually or the members generally. The special member meeting notice shall state the time, place, and purpose of the special member meeting. The special member meeting notice shall be issued within ten days from and after the date of the presentation of a member petition, and the special member meeting shall be held within 30 days after the date of the presentation of the member petition.

Subd. 3. **Waiver and objections.** A member may waive notice of a special member meeting. A waiver of notice by a member entitled to notice is effective whether given before, at, or after the meeting, and whether given in writing, orally, or by attendance. Attendance by a member at a meeting is a waiver of notice of that meeting, except where the member objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened, or objects before a vote on an item of business because the item may not lawfully be considered at the meeting, and does not participate in the consideration of the item at that meeting.

Sec. 43. **[308C.521] CERTIFICATION OF MEETING NOTICE.**

Subdivision 1. **Certificate of mailing.** After mailing special or regular member meeting notices or otherwise delivering the notices, the cooperative shall execute a certificate containing the date of mailing or delivery of the notice and a statement that the special or regular member meeting notices were mailed or delivered as prescribed by law.

Subd. 2. **Matter of record.** The certificate shall be made a part of the record of the meeting.

Subd. 3. **Failure to receive meeting notice.** Failure of a member to receive a special or regular member meeting notice does not invalidate an action taken by the members at a member meeting.

Sec. 44. **[308C.525] QUORUM.**

Subdivision 1. **Quorum.** At any annual or special meeting of the members, unless other increased by the bylaws, a quorum necessary for the transaction of business shall be ten percent of the total number of members.

Subd. 2. **Quorum for voting by mail.** In determining a quorum at a meeting, on a question submitted to a vote by mail or an alternative method, members present in person or represented by mail vote or the alternative voting method shall be counted. The attendance of a sufficient number of members to constitute a quorum shall be established by a registration of the members of the cooperative present at the meeting. The registration shall be verified by the president or the secretary of the cooperative and shall be reported in the minutes of the meeting.

Subd. 3. **Meeting action invalid without quorum.** An action by a cooperative is not valid or legal in the absence of a quorum at the meeting at which the action was taken.

Sec. 45. **[308C.531] REMOTE COMMUNICATIONS FOR MEMBER MEETINGS.**

Subdivision 1. **Construction and application.** This section shall be construed and applied to:

(1) facilitate remote communication consistent with other applicable law; and

(2) be consistent with reasonable practices concerning remote communication and with the continued expansion of those practices.

Subd. 2. **Member meetings held solely by means of remote communication.** To the extent authorized in the articles or the bylaws and determined by the board, a regular or special meeting of members may be held solely by any combination of means of remote communication through which the members may participate in the meeting, if notice of the meeting is given to every owner of membership interests entitled to vote as would be required by this chapter for a meeting, and if the membership interests held by the members participating in the meeting would be sufficient to constitute a quorum at a meeting. Participation by a member by that means constitutes presence at the meeting in person if all the other requirements of this chapter for the meeting are met.

Subd. 3. **Participation in member meetings by means of remote communication.** To the extent authorized in the articles or the bylaws and determined by the board, a member not physically present in person at a regular or special meeting of members may, by means of remote communication, participate in a meeting of members held at a designated place. Participation by a member by that means constitutes presence at the meeting in person if all the other requirements of this chapter for the meeting are met.

Subd. 4. **Requirements for meetings held solely by means of remote communication and for participation by means of remote communication.** In any meeting of members held solely by means of remote communication under subdivision 2 or in any meeting of members held at a designated place in which one or more members participate by means of remote communication under subdivision 3:

(1) the cooperative shall implement reasonable measures to verify that each person deemed present and entitled to vote at the meeting by means of remote communication is a member; and

(2) the cooperative shall implement reasonable measures to provide each member participating by means of remote communication with a reasonable opportunity to participate in the meeting, including an opportunity to:

(i) read or hear the proceedings of the meeting substantially concurrently with those proceedings;

(ii) if allowed by the procedures governing the meeting, have the member's remarks heard or read by other participants in the meeting substantially concurrently with the making of those remarks; and

(iii) if otherwise entitled, vote on matters submitted to the members.

Subd. 5. **Notice to members.** (a) Any notice to members given by the cooperative under any provision of this chapter, the articles, or the bylaws by a form of electronic communication consented to by the member to whom the notice is given, is effective when given. The notice is deemed given:

(1) if by facsimile communication, when directed to a telephone number at which the member has consented to receive notice;

(2) if by electronic mail, when directed to an electronic mail address at which the member has consented to receive notice;

(3) if by a posting on an electronic network on which the member has consented to receive notice, together with separate notice to the member of the specific posting, upon the later of:

(i) the posting; and

(ii) the giving of the separate notice; and

(4) if by any other form of electronic communication by which the member has consented to receive notice, when directed to the member.

(b) An affidavit of the secretary, other authorized officer, or authorized agent of the cooperative that the notice has been given by a form of electronic communication is, in the absence of fraud, prima facie evidence of the facts stated in the affidavit.

(c) Consent by a member to notice given by electronic communication may be given in writing or by authenticated electronic communication. The cooperative is entitled to rely on any consent so given until revoked by the member, provided that no revocation affects the validity of any notice given before receipt by the cooperative of revocation of the consent.

Subd. 6. **Revocation.** Any ballot, vote, authorization, or consent submitted by electronic communication under this chapter may be revoked by the member submitting the ballot, vote, authorization, or consent so long as the revocation is received by a director or the chief executive officer of the cooperative at or before the meeting or before an action without a meeting is effective.

Subd. 7. **Waiver.** Waiver of notice by a member of a meeting by means of authenticated electronic communication may be given in the manner provided for the regular or special meeting. Participation in a meeting by means of remote communication described in subdivisions 2 and 3 is a waiver of notice of that meeting, except where the member objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened, or objects before a vote on an item of business because the item may not lawfully be considered at the meeting and does not participate in the consideration of the item at that meeting.

Sec. 46. **[308C.535] ACT OF MEMBERS.**

Subdivision 1. **Action of affirmative vote of members.** (a) The members shall take action by the affirmative vote of a majority of the membership interests present and entitled to vote on that item of business.

(b) If the articles or bylaws require a larger proportion than is required by this chapter for a particular action, the articles or bylaws shall have control over the provisions of this chapter.

Subd. 2. **Greater quorum or voting requirements.** (a) The articles or bylaws adopted by the members may provide for a greater quorum or voting requirement for members or voting groups than is provided for by this chapter.

(b) An amendment to the articles or bylaws that adds, changes, or deletes a greater quorum or voting requirement shall meet the same quorum requirement and be adopted by the same vote and voting groups required to take action under the quorum and voting requirements then in effect or proposed to be adopted, whichever is greater.

Sec. 47. **[308C.541] ACTION WITHOUT A MEETING.**

Subdivision 1. **Method.** An action required or permitted to be taken at a meeting of the members may be taken by written action signed or consented to by authenticated electronic communication, by a majority of the entire membership of record or such other percentage of membership as is defined in the cooperative's articles of incorporation or bylaws, that would be required to take the same action at a meeting of the members at which all members were present.

Subd. 2. **Effective time.** The written action is effective when signed or consented to by authenticated electronic communication by the required members, unless a different effective time is provided in the written action.

Subd. 3. **Notice and liability.** When written action is permitted to be taken by less than all members, all members must be notified immediately of its text and effective date. Failure to provide the notice does not invalidate the written action. A member who does not sign or consent to the written action has no liability for the action or actions taken by the written action.

Sec. 48. **[308C.545] MEMBER VOTING RIGHTS.**

Subdivision 1. **Generally.** One membership shall be issued by the cooperative for each dwelling unit or lot in the project the resulting number of memberships outstanding at all times is equal to the number of dwelling units or lots in the project. Each membership shall have one vote in the affairs of the cooperative. If the cooperative has both occupant and nonoccupant members, on any matter of the cooperative, the entire occupant members voting power shall be voted collectively based upon the vote of the majority of occupant members voting on the issue and the collective vote of the nonoccupant members shall be a majority of the vote cast unless otherwise provided in the bylaws. The bylaws may not reduce the collective occupant member vote to less than 15 percent of the total vote on matters of the cooperative. A nonoccupant member has the voting rights in accordance with nonoccupant membership interests as granted in the bylaws, subject to the provisions of this chapter.

Subd. 2. **Right to vote at meeting.** A member may exercise voting rights on any matter that is before the members as prescribed in the articles or bylaws at a member meeting from the time the member arrives at the member meeting, unless the articles or bylaws specify an earlier and specific time for closing the right to vote.

Subd. 3. **Voting method.** A member's vote at a member meeting shall be in person or by mail if a mail vote is authorized by the board or by alternative method if authorized by the board.

Subd. 4. **Absentee ballots.** (a) A member who is or will be absent from a member meeting may vote by mail or by an approved alternative method on the ballot prescribed in this subdivision on any motion, resolution, or amendment that the board submits for vote by mail or alternative method to the members.

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

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

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

(c) The member shall express a choice by marking an appropriate choice on the ballot and mail, deliver, or otherwise submit the ballot to the cooperative in a plain, sealed envelope inside another envelope bearing the member's name or by an alternative method approved by the board.

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

Subd. 5. **Jointly owned membership interest.** If membership interest is owned by two or more individuals, any individual may vote on a matter that is before the members, unless the cooperative receives written notice denying the authority of an individual to vote on the behalf of the jointly owned membership interest.

Sec. 49. **[308C.571] SALE OF PROPERTY AND ASSETS.**

Subdivision 1. **Member approval.** A cooperative, by affirmative vote of a majority of the board present, may sell, lease, transfer, or otherwise dispose of all or substantially all of its property and assets, including its good will, not in the usual and regular course of its business, a grant a security interest in all or substantially all of the cooperatives property and assets whether or not in the usual and regular course of its business upon those terms and conditions and for those considerations, which may be money, securities, or other instruments for the payment of money or other property, as the board considers expedient, when approved at a regular or special meeting of the members by the affirmative vote of the owners of a majority of the voting power of the interests entitled to vote. Written notice of the meeting must be given to all members whether or not they are entitled to vote at the meeting. The written notice must state that a purpose of the meeting is to consider the sale, lease, transfer, or other disposition of all or substantially all of the property and assets of the cooperative.

Subd. 2. **Confirmatory documents.** Confirmatory deeds, assignments, or similar instruments to evidence a sale, lease, transfer, or other disposition may be signed and delivered at any time in the name of the transferor by its current president of the board or authorized agents.

Subd. 3. **Liability of transferee.** The transferee is liable for the debts, obligations, and liabilities of the transferor only to the extent provided in the contract or agreement between the transferee and the transferor or to the extent provided by law.

Sec. 50. **[308C.601] MEMBERSHIP INTERESTS.**

Subdivision 1. **Amounts and divisions of membership interests.** The authorized amount and divisions of occupant membership interests and, if authorized, nonoccupant membership interests may be increased, decreased, established, or altered, in accordance with the restrictions in this chapter by amending the articles or bylaws at a regular members' meeting or at a special members' meeting called for the purpose of the amendment.

Subd. 2. **Issuance of membership interests.** Authorized membership interests may be issued on terms and conditions prescribed in the articles, bylaws, or if authorized in the articles or bylaws as determined by the board. The cooperative shall disclose to any person or entity acquiring membership interests to be issued by the cooperative, the organization, capital structure, and known business prospects and risks of the cooperative, the nature of the governance and financial rights of the membership interest being acquired and of other classes of membership and membership interests.

Subd. 3. **Occupant membership interests.** The occupant membership interests collectively shall have not less than 60 percent of the cooperative's financial rights to profit allocations and distributions. If authorized in the original articles as filed, or articles or bylaws adopted by an affirmative vote of the occupant members, or the articles or bylaws are amended by the affirmative vote of occupant members, then the cooperative's financial rights to profit allocations and distributions to occupant members collectively may be not less than 15 percent.

Subd. 4. **Transferring or selling membership interests.** After issuance by the cooperative, membership interests in a cooperative may only be sold or transferred with the approval of the board. The board may adopt resolutions prescribing procedures to prospectively approve transfers.

Subd. 5. **Nonoccupant membership interests.** If authorized by the articles, the cooperative may solicit and issue nonoccupant membership interests on terms and conditions determined by the board and disclosed in the articles, bylaws, or by separate disclosure to the members. Each member acquiring nonoccupant membership interests shall sign a member control agreement or agree to the conditions of the bylaws, either of which shall describe the rights and obligations of the member as it relates to the nonoccupant membership interests, the financial and governance rights, the transferability of the nonoccupant membership interests, the division and allocations of profits and losses among the membership interests and membership classes, and financial rights upon liquidation. If the articles or bylaws do not otherwise provide for the allocation of the profits and losses between occupant membership interests and nonoccupant membership interests, then the allocation of profits and losses among nonoccupant membership interests individually and occupant membership interests collectively shall be allocated on the basis of the value of contributions to capital made according to the occupant membership interests collectively and the nonoccupant membership interests individually to the extent the contributions have been accepted by the cooperative. Distributions of cash or other assets of the cooperative shall be allocated among the membership interests as provided in the articles and bylaws, subject to the provisions of this chapter. If not otherwise provided in the articles or bylaws, distributions shall be made on the basis of value of the capital contributions of the occupant membership interests collectively and the nonoccupant membership interests to the extent the contributions have been accepted by the cooperative.

Subd. 6. **Cooperative first right to purchase membership interests.** The articles or bylaws may provide that the cooperative or the occupant members, individually or collectively, have the first privilege of purchasing the membership interests of any class of membership interests offered for sale. The first privilege to purchase membership interests may be satisfied by notice to other members that the membership interests are for sale and a procedure by which members may proceed to attempt to purchase and acquire the membership interests. A membership interest acquired by the cooperative may be held to be reissued or may be retired and canceled.

Subd. 7. **Payment for nonoccupant membership interests.** Subject to the provisions in the articles and bylaws, a member may dissent from and obtain payment for the fair value of the member's nonoccupant membership interests in the cooperative if the articles or bylaws are amended in a manner that materially and adversely affects the rights and preferences of the nonoccupant membership interests of the dissenting member. The dissenting member shall file a notice of intent to demand fair value of the membership interest with the records officer of the cooperative within 30 days after the amendment of the bylaws and notice of the amendment to members, otherwise the right of the dissenting member to demand payment of fair value for the membership interest is waived. If a proposed amendment of the articles or bylaws must be approved by the members, a member who is entitled to dissent and who wishes to exercise dissenter's rights shall file a notice to demand fair value of the membership interest with the records officer of the cooperative before the vote on the proposed action and shall not vote in favor of the proposed action, otherwise the right to

demand fair value for the membership interest by the dissenting member is waived. After receipt of the dissenting member's demand notice and approval of the amendment, the cooperative has 60 days to rescind the amendment or otherwise the cooperative shall remit the fair value for the member's interest to the dissenting member by 180 days after receipt of the notice. Upon receipt of the fair value for the membership interest, the member has no further member rights in the cooperative.

Sec. 51. **[308C.602] TITLE TO MEMBERSHIP IN THE COOPERATIVE.**

(a) Title to membership in a cooperative governed by this chapter may be held by:

(1) a natural person who satisfies the member restrictions set forth in this chapter;

(2) a natural person who does not satisfy the restrictions set forth in this chapter but who purchases a membership interest for a natural person who satisfies the restrictions set forth in this chapter and who is a member of the cooperative and shall, for purposes of this section, be referred to as a "third-party purchaser";

(3) a natural person who is the trustee of a trust, except as prohibited, limited, or otherwise provided by the cooperative. If title to a membership interest is held by a trustee of a trust, a beneficiary of the trust must be a natural person who satisfies the restriction set forth in this chapter and who exercises the right of occupancy appurtenant to membership. In order to apply for membership in the cooperative following the death of a member or members who occupied the cooperative under the trust's title, a successor beneficiary of the trust must satisfy the restriction structure set forth in this chapter. The cooperative may require successor beneficiaries who did not occupy the dwelling unit with the deceased cooperative member or members to offer the membership interest back to the cooperative for sale pursuant to any cooperative right of first refusal, cooperative purchase option, or other membership sale requirements or restrictions established by the cooperative in its bylaws or through the cooperative's policies, rules, or regulations;

(4) an adult natural person remainderman, subject to a life estate retained by a natural person who satisfies the restrictions set forth in this chapter and who exercises the right of occupancy appurtenant to membership in the dwelling unit, except as prohibited, limited, or otherwise provided by the bylaws. In order to apply for membership in the cooperative following the death of the life tenant member or members of the cooperative, a remainderman must satisfy the age restriction structure set forth in this chapter for membership in the cooperative. Following the death of the life tenant member, a cooperative may require a remainderman to offer the membership interest back to the cooperative for sale pursuant to any cooperative right of first refusal, cooperative purchase option, or other membership sale requirements or restrictions established by the cooperative in its bylaws or through the cooperative's policies, rules, or regulations;

(5) transfer on death (TOD) beneficiaries upon the death of a member in the cooperative and in accordance with the Minnesota Uniform TOD Security Registration Act, sections 524.6-301, et. seq., except as prohibited, limited, or otherwise provided by the cooperative. A natural person who, as a TOD beneficiary, becomes the title holder of a membership interest in the cooperative following the death of a member must satisfy the restriction structure set forth in this chapter in order to apply for membership in the cooperative. A cooperative may require a TOD beneficiary who becomes the title holder of a membership interest in the cooperative following the death of a member to offer the membership interest back to the cooperative for sale pursuant to any cooperative right of first refusal, cooperative purchase option, or other membership sale requirements or restrictions the cooperative may have developed in its bylaws or through the cooperative's policies, rules, or regulations; and

(6) with respect to nonoccupant membership interest, any person as defined by this chapter.

(b) In each instance in which title to a membership interest is held by a trustee, remainderman, or third-party purchaser who purchases a membership interest for a member who will occupy the cooperative, the trustee, remainderman, or third-party purchaser shall agree to abide by the cooperative's articles, bylaws, occupancy agreement or proprietary lease of the member, and rules, policies, and regulations of the cooperative, and shall not, by virtue of their status of holding title to the membership interest, have any voting rights that a member of the cooperative would otherwise have by reason of being the holder of a membership certificate. All voting rights shall be vested solely with the member who occupies the cooperative.

Sec. 52. **[308C.603] DEVELOPER RIGHTS, RESTRICTIONS, AND OBLIGATIONS.**

Subdivision 1. **Developer control.** If a developer causes a cooperative to be organized under this chapter, the developer shall have the right to appoint an initial board of directors consisting of three persons. The developer's control of the board shall terminate on the date of the first annual meeting of members. The first annual meeting shall occur on or about 60 days after the date of the certificate of occupancy issued for the project by the municipality in which the project is situated and subject to any requirements under the mortgage for permanent financing related to the project.

Subd. 2. **Termination of developer's contracts.** Any contract, lease, or license binding the cooperative and to which the developer or an affiliate of the developer is a party may be terminated without penalty by the cooperative upon not less than 90 days' notice if entered into prior to termination of the period of developer control. The notice shall be in writing and is effective upon hand delivery or upon mailing properly addressed with postage prepaid and deposited in the United States mail. This subdivision does not apply to any mortgage encumbering the cooperative's real estate.

Subd. 3. **Developer's standard of conduct during period of developer control.** (a) During the period of the developer's control of the cooperative, the developer and any of the developer's representatives who are acting as officers or directors of the cooperative shall be subject to the provisions of sections 308C.401 and 308C.455.

(b) At such time as the developer's control of the cooperative terminates, the developer shall deliver to the board exclusive control of all funds of the cooperative, all contracts and agreements to which the cooperative was or is a party, all corporate records of the cooperative, and all plans and specifications relating to the project.

Subd. 4. **Developer's obligation for assessments.** (a) Prior to the commencement of occupancy of the project by the members, the developer shall pay all accrued expenses of the cooperative.

(b) After the commencement of occupancy of the project by the members, the developer shall pay all common expenses and payments to reserves allocated to the dwelling unit appurtenant to the membership interests that have not been conveyed to members, and the payment obligation shall remain in effect until each unissued membership interest has been conveyed to a member.

Sec. 53. **[308C.605] ASSIGNMENT OF FINANCIAL RIGHTS.**

Subdivision 1. **Assignment of financial rights permitted.** Except as provided in subdivision 3, a member's financial rights are transferable in whole or in part.

Subd. 2. **Effect of assignment of financial rights.** An assignment of a member's financial rights entitles the assignee to receive, to the extent assigned, only the share of profits and losses and the distributions, if any, to which the assignor would otherwise be entitled. An assignment of a member's financial rights does not dissolve the cooperative and does not entitle or empower the assignee to become a member, to exercise

any governance rights, to receive any notices from the cooperative, or to cause dissolution. The assignment shall not allow the assignee to control the member's exercise of governance or voting rights.

Subd. 3. **Restrictions of assignment of financial rights.** (a) A restriction on the assignment of financial rights may be imposed in the articles, in the bylaws, in an operating agreement, by a resolution adopted by the members, by an agreement among or other written action by the members, or by an agreement among or other written action by the members and the cooperative. A restriction is not binding with respect to financial rights reflected in the required records before the adoption of the restriction, unless the owners of those financial rights are parties to the agreement or voted in favor of the restriction.

(b) Subject to paragraph (c), a written restriction on the assignment of financial rights that is not manifestly unreasonable under the circumstances and is noted conspicuously in the required records may be enforced against the owner of the restricted financial rights or a successor or transferee of the owner, including a pledgee or a legal representative. Unless noted conspicuously in the required records, a restriction, even though permitted by this section, is ineffective against a person without knowledge of the restriction.

(c) With regard to restrictions on the assignment of financial rights, a would-be assignee of financial rights is entitled to rely on a statement of membership interest issued by the cooperative. A restriction on the assignment of financial rights, which is otherwise valid and in effect at the time of the issuance of a statement of membership interest but which is not reflected in that statement, is ineffective against an assignee who takes an assignment in reliance on the statement.

(d) Notwithstanding any provision of law, articles, bylaws, operating agreement, other agreement, resolution, or action to the contrary, a security interest in a member's financial rights may be foreclosed and otherwise enforced, and a secured party may assign a member's financial rights in accordance with chapter 336, without the consent or approval of the member whose financial rights are subject to the security interest.

Sec. 54. **[308C.611] NATURE OF A MEMBERSHIP INTEREST AND STATEMENT OF INTEREST OWNED.**

Subdivision 1. **Generally.** A membership interest is personal property. A member has no interest in specific cooperative property except the right to occupy a dwelling unit pursuant to an occupancy agreement, the proprietary lease, and use of the common elements. All property of the cooperative is property of the cooperative itself.

Subd. 2. **Lien on membership interest.** The cooperative may take a lien on the membership interest and any dwelling unit represented by the membership certificate for all sums due and to become due under the articles, bylaws, occupancy agreement, and propriety lease whether by means of assessments or otherwise. The board may refuse consent to the transfer of the membership interest represented by the membership certificate until all outstanding sums due under the occupancy agreement are paid or for other reasonable cause described in the bylaws.

Subd. 3. **Terms of membership interests.** All the membership interests of a cooperative must:

(1) be of one class, without series, unless the articles or bylaws establish or authorize the board to establish more than one class or series within classes;

(2) be occupant membership interests and if authorized nonoccupant membership interest subject to this chapter entitled to vote as provided in section 308C.555, and have equal rights and preferences in all matters not otherwise provided for by the board and to the extent that the articles or bylaws have fixed the relative rights and preferences of different classes and series; and

(3) if applicable due to the nature of the cooperative, share profits and losses and are entitled to distributions as provided in sections 308C.721 and 308C.725.

Subd. 4. **Rights of judgment creditor.** On application to a court of competent jurisdiction by any judgment creditor of a member, the court may charge a member with payment of the unsatisfied amount of the judgment with interest. To the extent so charged, the judgment creditor has only the rights of an assignee of a member's financial rights, if any. This chapter does not deprive any member or a judgment creditor who is an assignee of financial rights of the benefit of any exemption laws applicable to the membership interest. This section is the sole and exclusive remedy of a judgment creditor with respect to the judgment debtor's membership interest.

Subd. 5. **Procedure for fixing terms.** (a) Subject to any restrictions in the articles or bylaws, the power granted in this subdivision may be exercised by a resolution or resolutions establishing a class or series, setting forth the designation of the class or series, and fixing the relative rights and preferences of the class or series. Any of the rights and preferences of a class or series established in the articles, bylaws, or by resolution of the board:

(1) may be made dependent upon facts ascertainable outside the articles or bylaws or outside the resolution or resolutions establishing the class or series, if the manner in which the facts operate upon the rights and preferences of the class or series is clearly and expressly set forth in the articles or bylaws or in the resolution or resolutions establishing the class or series; and

(2) may include by reference some or all of the terms of any agreements, contracts, or other arrangements entered into by the cooperative in connection with the establishment of the class or series if the cooperative retains at its principal executive office a copy of the agreements, contracts, or other arrangements or the portions will be included by reference.

(b) A statement setting forth the name of the cooperative and the text of the resolution and certifying the adoption of the resolution and the date of adoption must be given to the members before the acceptance of any contributions for which the resolution creates rights or preferences not set forth in the articles or bylaws. Where the members have received notice of the creation of membership interests with rights or preferences not set forth in the articles or bylaws before the acceptance of the contributions with respect to the membership interests, the statement may be filed any time within one year after the acceptance of the contributions. The resolution is effective three days after delivery to the members is deemed effective by the board, or, if the statement is not required to be given to the members before the acceptance of contributions, on the date of its adoption by the directors.

Subd. 6. **Specific terms.** Without limiting the authority granted in this section, a cooperative may have membership interests of a class or series:

(1) subject to the right of the cooperative to redeem any of those membership interests at the price fixed for their redemption by the articles or bylaws or by the board;

(2) entitling the members to cumulative, partially cumulative, or noncumulative distributions;

(3) having preference over any class or series of membership interests for the payment of distributions of any or all kinds;

(4) convertible into membership interests of any other class or any series of the same or another class; or

(5) having full, partial, or no voting rights, except as provided in section 308B.555.

Subd. 7. **Grant of a security interest.** For the purpose of any law relating to security interests, membership interests, governance or voting rights, and financial rights are each to be characterized as provided in section 336.8-103, paragraph (c).

Subd. 8. **Powers of estate of a deceased or incompetent member.** (a) If a member who is an individual dies or a court of competent jurisdiction adjudges the member to be incompetent to manage the member's person or property, or an order for relief under the bankruptcy code is entered with respect to the member, the member's executor, administrator, guardian, conservator, trustee, or other legal representative may exercise all of the member's rights for the purpose of settling the estate or administering the member's property. If a member is a business entity, trust, or other entity and is dissolved, terminated, or placed by a court in receivership or bankruptcy, the powers of that member may be exercised by its legal representative or successor.

(b) If an event referred to in paragraph (a) causes the termination of a member's membership interest and the termination does not result in dissolution, then subject to the articles and bylaws:

(1) as provided in section 308C.605, the terminated member's interest will be considered to be merely that of an assignee of the financial rights owned before the termination of membership; and

(2) the rights to be exercised by the legal representative of the terminated member will be limited accordingly.

Subd. 9. **Liability of subscribers and members with respect to membership interests.** A subscriber for membership interests or a member of a cooperative is under no obligation to the cooperative or its creditors with respect to the membership interests subscribed for or owned, except to pay to the cooperative the full consideration for which the membership interests are issued or to be issued.

Sec. 55. **[308C.612] SENIOR HOUSING COOPERATIVE OFFERING DOCUMENTS; GENERAL PROVISIONS.**

Subdivision 1. **Generally.** The senior housing cooperative organized under this chapter shall provide to each subscriber for a membership in the cooperative: (1) an occupancy agreement or proprietary lease; (2) the articles; (3) the bylaws; (4) an annualized budget for the current fiscal period; and (5)(i) for the initial purchase of a membership interest to which a particular dwelling unit is appurtenant, an information bulletin and a subscription agreement; and (ii) for any purchase of a membership interest after its initial purchase, a resale disclosure statement and a membership purchase and sale agreement, all of which shall minimally include the contents of the provisions set forth in subdivisions 2 to 6, as applicable.

Subd. 2. **Information bulletin.** (a) With respect to an initial sale of a cooperative's authorized membership interests to older persons, each subscriber for membership shall be given an information bulletin that shall fully and accurately disclose:

(1) the name and principal address of the cooperative;

(2) the number of dwelling units in the project;

(3) a general description of the project, including, at a minimum:

(i) the number of buildings;

(ii) the number of dwellings per building;

(iii) the type of construction;

(iv) whether the project involves new construction or rehabilitation;

(v) whether any building was wholly or partially occupied, for any purpose, before it was added to the project and the nature of the occupancy;

(vi) a general description of any roads, trails, or utilities that are located on the common elements and that the cooperative is required to maintain;

(vii) the name of the developer, the developer's credentials, and the credentials of the persons constituting the initial board of directors of the cooperative; and

(viii) a statement that the developer shall be financially liable for all of the common expenses and costs allocated to the unsold membership interests and dwelling units appurtenant thereto until such membership interests are sold to the initial purchasers thereof;

(4) the cooperative's schedule of commencement and completion of construction of any buildings and other improvements that the cooperative is obligated to build;

(5) any expenses or services not reflected in the budget that the cooperative pays or provides that may become a common expense and the projected common expense attributable to each of those expenses or services;

(6) identification of any liens, defects, or encumbrances that will continue to affect the title to a dwelling unit or to any real property owned by the cooperative after the contemplated conveyance;

(7) a statement disclosing to the extent of the cooperative's or an affiliate of a cooperative's actual knowledge, after reasonable inquiry, any unsatisfied judgments or lawsuits to which the cooperative is a party, and the status of those lawsuits which are material to the project or the dwelling unit appurtenant to a membership being purchased;

(8) a summary of the insurance coverage provided by the cooperative for the benefit of members, and a detailed description of the insurance coverage that members are encouraged to purchase for their own benefit;

(9) a statement describing:

(i) whether the members are entitled for federal and state tax purposes to deduct payments made by the cooperative for real estate taxes and interest paid to the holder of a security interest encumbering the cooperative;

(ii) a statement as to the effect on the members if the cooperative fails to pay real estate taxes or payments due the holder of a security interest encumbering the cooperative; and

(iii) the principal amount and a general description of the terms of any blanket mortgage contract for deed, or other blanket security instrument encumbering the cooperative property;

(10) a statement:

(i) that real estate taxes for the dwelling unit or any real property owned by the cooperative are not delinquent, or if there are delinquent real estate taxes, describing the property for which the taxes are delinquent, stating the amount of the delinquent taxes, interest, and penalties, and stating the years for which taxes are delinquent; and

(ii) setting forth the amount of real estate taxes expected to be allocated to the dwelling units, including the amount of any special assessments certified for payment with the real estate taxes, due and payable with respect to the dwelling unit in the year in which the information bulletin is given;

(11) any recorded covenants, conditions restrictions, and reservations affecting the project; a statement that the occupancy agreement must be signed at the closing; and a statement that members are required to abide by the bylaws, the articles of incorporation, and the rules, regulations, and policies of the cooperative, including amendments from time to time;

(12) a brief narrative description of any material agreements entered into between the cooperative and a governmental entity that affect the project;

(13) a budget prepared by the developer; and

(14) a statement that purchase and sales of memberships and rights under occupancy agreements are not for speculative purposes and that investments in the cooperative by members are for the sole purpose of securing and acquiring a dwelling unit for their residential use and benefit.

(b) A cooperative shall promptly amend the information bulletin to reflect any material change in the information required by this chapter.

Subd. 3. **Resale disclosure certificate.** (a) In the event of a resale of a membership interest by either the departing member or by the cooperative, the departing member or the cooperative, as applicable, shall furnish to the purchaser before the execution of any purchase and sale agreement for the applicable membership interest the following documents relating to the cooperative:

(1) copies of the articles and bylaws, any rules and regulations, and any amendments thereto; and

(2) a resale disclosure certificate containing the information set forth in paragraph (b).

(b) The resale disclosure certificate must provide the following information:

(1) the name of the cooperative;

(2) the number of the dwelling unit appurtenant to the subject membership interest;

(3) the amount of the monthly common expense assessments payable under the occupancy agreement applicable to the subject dwelling unit;

(4) the amount of other additional fees or charges payable by members, such as late payment charges;

(5) extraordinary expenditures, if any, approved by the cooperative and not yet assessed to members for the current and two succeeding fiscal years;

(6) the current balances in the cooperative's replacement reserve and the general operating reserve, and any other reserves maintained by the cooperative;

(7) copies of the most current financial statements of the cooperative, including balance sheet and income and expense statements;

(8) a disclosure of any unsatisfied judgments against the cooperative;

(9) a statement that there are no pending lawsuits to which the cooperative is a party except as specifically disclosed;

(10) a radon disclosure pursuant to the requirements of section 144.496; and

(11) the resale disclosure certificate shall contain a certification by the subscribing party that the information contained therein is true and correct as of the date of the certification.

Subd. 4. **Subscription agreement for new project.** The subscription agreement must include the following provisions:

(1) a statement that all subscription funds received from applicants shall be deposited promptly without deduction in an escrow account at a bank or banks whose deposits are insured by an agency of the federal government. The escrow account shall be controlled by a licensed title insurance company or agent thereof. Money in the account shall be held solely for the benefit of the subscribers until transferred to the account of the cooperative as provided in clauses (2) and (5). The escrow account may be interest bearing, in which event interest earnings shall accrue to the benefit of subscribers, except that subscription funds and interest earned, if any, may be used solely to pay the escrow agent to administer the escrow account and to pay costs and expenses associated with the offering;

(2) a statement of any subscription funds due and payable upon execution of the subscription agreement and, where less than all of the subscription funds are due and payable upon execution of the subscription agreement, a statement of the balance due and payable and the estimated time frame within which that balance must be paid;

(3) a statement of the estimated monthly carrying charges with respect to the membership interest being subscribed for;

(4) a statement that refundable subscription funds shall be immediately refunded by the escrow agent to an applicant whose subscription agreement is terminated pursuant to the agreement and a statement whether the return of subscription funds shall be with or without accrued interest earned on the escrow;

(5) a statement concerning the deadline when sufficient subscribers and loan commitments must be obtained, and a statement that if the deadline is not attained, the subscribers' escrowed funds will be released;

(6) a statement that the entire escrow account and accrued interest earned, if any, shall be immediately paid to the cooperative if sufficient subscribers and loan commitments are obtained by the disclosed end date and the cooperative proceeds with the project;

(7) a statement that:

(i) within ten days after the receipt of an information bulletin, a purchaser may cancel the subscription agreement for the purchase of a membership in a cooperative, provided that the right to cancel terminates upon the purchaser's voluntary acceptance of a conveyance of the membership interest from the cooperative or by the purchaser agreeing to modify or waive the right to cancel by a separate writing from the subscription agreement and signed by the purchaser more than three days after the purchaser receives the information bulletin; and

(ii) if a purchaser receives an information bulletin more than ten days before signing a subscription agreement, the purchaser cannot cancel the subscription agreement pursuant to this ten-day cancellation.

Subd. 5. **Membership purchase and sale agreements.** In the event of a resale of a membership interest by either the departing member or by the cooperative, a membership purchase and sale agreement shall be utilized as the contract for purchase of the membership interest rather than a subscription agreement. A membership purchase and sale agreement must contain the following provisions:

(1) a statement disclosing the identities of the selling and purchasing parties;

(2) a statement acknowledging that the purchase of a membership interest in the cooperative constitutes personal property and not an interest in real estate;

(3) a statement of the purchase price for the membership interest, including any earnest money due and payable, the date on which the membership interest is due and payable, and any sum which may be due and payable upon closing;

(4) a schedule of any items of personal property owned by the seller that the buyer is purchasing as part of the membership interest;

(5) a statement acknowledging that the seller and the cooperative have furnished the buyer with copies of the cooperative's articles of incorporation, bylaws, rules, and policies currently in effect and a resale disclosure statement;

(6) a statement that:

(i) within ten days after the receipt of a copy of the documents set forth in clause (5), a purchaser may cancel the purchase agreement for the purchase of a membership in a cooperative, without penalty and with a full and prompt refund of all payments made under the purchase agreement, unless within that ten-day period the buyer has closed on the purchase of the membership interest; and

(ii) if the buyer elects to cancel the purchase agreement pursuant to this provision, the buyer may do so in writing by hand delivering the notice of cancellation to the seller or seller's agent, or by mailing such notice by postage prepaid United States mail, to the seller or the seller's agent within the ten-day period;

(7) a statement outlining any contingencies or conditions precedent to closing on the purchase of the membership interest and the impact of a failure of one or more of the articulated contingencies on the refund of any earnest money to the buyer;

(8) a statement of the monthly carrying charges allocable to the dwelling unit appurtenant to the membership interest being purchased and any adjustments or prorations of carrying charges due and payable in the month of closing as between the seller and buyer;

(9) a statement of any dwelling alterations that will be permitted prior to closing, the conditions under which those alterations may be made, and the parties financially responsible for any such alterations;

(10) a statement of the anticipated closing date for the purchase of the membership interest;

(11) a statement of the remedies available to the seller or buyer as a result of a default by the other party in its obligation to close on the purchase of the subject membership interest;

(12) a schedule of the items to be delivered at closing which shall include:

(i) the seller's delivery of seller's membership certificate to the buyer, duly assigned to the buyer;

(ii) the seller's delivery to the buyer of a bill of sale in a form reasonably acceptable to the buyer, conveying to the buyer free and clear of all encumbrances any personal property purchased by the buyer pursuant to clause (4);

(iii) the buyer's delivery to the seller of funds representing any balance of the purchase price due and payable; and

(iv) the buyer's delivery to the cooperative of an occupancy agreement duly executed by the buyer; and

(13) a statement regarding the impact of destruction of the subject dwelling unit prior to the closing date on the buyer's purchase obligations and refund of any earnest money paid.

Subd. 6. **Occupancy agreement contents.** The occupancy agreement must include the following provisions:

(1) a statement of the monthly carrying charges due and payable by the member to the cooperative representing the member's proportionate share of the sum that the cooperative's board of directors' estimates are required to meet the cooperative's annual expenses, and the method of calculating the same;

(2) a statement of when the payment of carrying charges will commence;

(3) a statement of the circumstances under which the cooperative may issue any patronage refunds or credits to members;

(4) a statement that the term of the occupancy agreement is coextensive with membership in the cooperative, a statement regarding any automatic renewal of the occupancy agreement term, and a statement of any other terms, conditions, or requirements for renewal of the occupancy agreement term;

(5) a statement of the terms under which the member or cooperative may terminate a member's occupancy agreement;

(6) a statement that the member may occupy the member's dwelling unit solely as a private residential dwelling unit;

(7) a statement outlining the member's rights, duties, and obligations under the occupancy agreement and as a member of the cooperative;

(8) a statement outlining member acts prohibited by the occupancy agreement, articles, bylaws, or the rules, regulations, and policies of the cooperative;

(9) a statement regarding the circumstances under which assignment of the occupancy agreement or subletting is to be permitted or prohibited;

(10) a statement outlining the circumstances and manner in which a membership interest can be transferred, assigned, or sold;

(11) a statement outlining the manner in which the cooperative will manage the cooperative property and operate and administer the cooperative's business, including the payment of all taxes and assessments levied against the cooperative to the extent not billed by the taxing authority directly to the member;

(12) a statement outlining the separate insurance obligations of the cooperative and the member, and should minimally include the separate insurance requirements set forth in this chapter;

(13) a statement concerning the circumstances and extent to which the cooperative must repair, maintain, and replace property owned by the cooperative and the circumstances, if any, under which the cooperative may hold the member responsible for repairing, maintaining, or replacing property owned by the cooperative;

(14) a statement defining events of default under the occupancy agreement, the effects of default, and the remedies available to the cooperative;

(15) a statement through which the member covenants that the member and the member's guests and subtenants, if any, must preserve and promote the cooperative ownership principles of the cooperative and abide by the cooperative's articles, bylaws, and rules, policies and regulations;

(16) a statement that representatives of any mortgagee holding a mortgage on the property of the cooperative, the officers and employees of the cooperative, and, with the approval of the cooperative, the employees of any contractor, utility company, municipal agency, or others, has the right to enter the member's dwelling unit and make inspections at any reasonable hour of the day with reasonable notice and at any time in the event of emergency; and

(17) a statement that the cooperative will not discriminate against any person because of race, color, religion, sex, handicap, or national origin.

Sec. 56. **[308C.613] BUDGET AND REPLACEMENT RESERVE REQUIREMENTS.**

Subdivision 1. **Requirements.** The annual budget of a senior housing cooperative formed under this chapter shall include, without limitation:

(1) the amount included in the budget as a reserve for replacement;

(2) the amount included in the budget for the general operating reserve;

(3) the amount included in the budget for any other reserves;

(4) the projected common expense for each category of expenditures for the cooperative; and

(5) the projected monthly common expense assessment for each type of dwelling unit.

Subd. 2. **Replacement reserves.** The cooperative shall include in its annual budgets replacement reserves projected by the board to be adequate, together with past and future contributions thereto to fund the replacement of those components of the cooperative that the cooperative is obligated to replace by reason of ordinary wear and tear or obsolescence, subject to the following:

(1) the annual budgets need not include reserves for replacement of components that have a remaining useful life of more than 30 years, unless required otherwise by the lender or mortgage insurer relative to the cooperative's master mortgage;

(2) the cooperative shall keep the replacement reserves in an account or accounts separate from the cooperative's operating funds, and shall not use or borrow from the replacement reserves to fund the cooperative's operating expenses, except that this restriction shall not affect the cooperative's authority to pledge the replacement reserves as security for a loan to the cooperative; and

(3) the cooperative shall reevaluate the adequacy of the cooperative's budgeted replacement reserves at least every third year after the filing of the cooperative's articles.

Sec. 57. **[308C.614] LIEN FOR ASSESSMENTS.**

(a) A senior housing cooperative formed under this chapter has a lien on a membership interest, the appurtenant occupancy agreement, and the member's associated occupancy rights for any assessment levied against that membership interest from the time the assessment becomes due. If an assessment is payable in installments, the full amount of the assessment is a lien from the time the first installment thereof becomes due. Unless the bylaws provide otherwise, any fees, charges, or payments that members must regularly pay

to the cooperative are enforceable as assessments under this section. Other cooperatives formed under this chapter may authorize a lien on a membership interest, occupancy agreement, or a proprietary lease in the bylaws.

(b) A lien under this section is prior to all other liens and encumbrances on a membership certificate except (i) liens, encumbrances, or mortgages which the cooperative creates, assumes, or takes subject to, or (ii) any first security interest encumbering only the membership interest. If a first security interest encumbering a membership interest which is personal property is foreclosed, the secured party or the purchaser at the sale shall take title to the membership interest subject to unpaid assessments. This paragraph shall not affect the priority of mechanics' liens encumbering the project.

(c) Proceedings to enforce an assessment lien shall be instituted within three years after the last installment of the assessment becomes payable, or shall be barred.

(d) The member and owner of the membership interest, at the time an assessment is due, shall be personally liable to the cooperative for payment of the assessment levied against the membership interest. If there are multiple owners of the membership interest, they shall be jointly and severally liable.

(e) This section does not prohibit actions to recover sums for which paragraph (a) creates a lien nor prohibit a cooperative from taking an assignment of the membership certificate and occupancy agreement or other conveyance documents agreed upon by the parties in lieu of foreclosure.

(f) The cooperative shall furnish to a member or the member's authorized agent upon written request of the member or the authorized agent a statement setting forth the amount of unpaid assessments currently levied against the member's interest. The statement shall be furnished within ten business days after receipt of the request and is binding on the cooperative and every member.

Sec. 58. **[308C.615] FORECLOSURE OF LIENS OR TO ACQUIRE OCCUPANCY RIGHTS FOLLOWING MEMBERSHIP TERMINATION IN A SENIOR HOUSING COOPERATIVE.**

(a) A senior housing cooperative's lien shall be foreclosed by a private sale negotiated by the cooperative, or by an acceptance by the cooperative of the subject membership interest in full satisfaction of the secured indebtedness pursuant to the following:

(1) a notice of the sale or acceptance shall be served on the member 90 days prior to the sale or acceptance;

(2) the cooperative shall be entitled to its reasonable costs and attorney fees not exceeding the amount provided by section 582.01, subdivision 1a;

(3) the amount of the cooperative's lien shall be deemed to be adequate consideration for the membership interest subject to sale or acceptance, notwithstanding the value of the membership interest; and

(4) the notice of sale or acceptance shall contain the following statement in capital letters with the name of the cooperative or secured party filled in:

"THIS IS TO INFORM YOU THAT BY THIS NOTICE (fill in name of cooperative or secured party) HAS BEGUN PROCEEDINGS UNDER MINNESOTA STATUTES, CHAPTER 308C, TO FORECLOSE ON YOUR MEMBERSHIP INTEREST FOR THE REASON SPECIFIED IN THIS NOTICE. YOUR MEMBERSHIP INTEREST AND YOUR RIGHT TO OCCUPY THE DWELLING UNIT APPURTENANT THERETO WILL TERMINATE 90 DAYS AFTER SERVICE OF THIS NOTICE ON YOU UNLESS BEFORE THEN:

(a) THE PERSON AUTHORIZED BY (fill in the name of cooperative or secured party) AND DESCRIBED IN THIS NOTICE TO RECEIVE PAYMENTS RECEIVES FROM YOU:

(1) THE AMOUNT THIS NOTICE SAYS YOU OWE; PLUS

(2) THE COSTS INCURRED TO SERVE THIS NOTICE ON YOU; PLUS

(3) $500 TO APPLY TO ATTORNEY FEES ACTUALLY EXPENDED OR INCURRED; PLUS

(4) ANY ADDITIONAL AMOUNTS FOR YOUR MEMBERSHIP INTEREST BECOMING DUE TO (fill in name of cooperative or secured party) AFTER THE DATE OF THIS NOTICE; OR

(b) YOU SECURE FROM A DISTRICT COURT AN ORDER THAT THE FORECLOSURE OF YOUR RIGHTS TO YOUR MEMBERSHIP INTEREST AND YOUR RIGHT TO OCCUPY THE DWELLING UNIT APPURTENANT THERETO BE SUSPENDED UNTIL YOUR CLAIMS OR DEFENSES ARE FINALLY DISPOSED OF BY TRIAL, HEARING, OR SETTLEMENT. YOUR ACTION MUST SPECIFICALLY STATE THOSE FACTS AND GROUNDS THAT DEMONSTRATE YOUR CLAIMS OR DEFENSES. IF YOU DO NOT TAKE ACTION AS PRESCRIBED IN PARAGRAPH (A) OF THIS NOTICE WITHIN THE TIME PERIOD SPECIFIED IN THIS NOTICE, YOUR OWNERSHIP RIGHTS IN YOUR MEMBERSHIP INTEREST AND YOUR RIGHT TO OCCUPY THE DWELLING UNIT APPURTENANT THERETO WILL TERMINATE AT THE END OF THE PERIOD, YOU WILL LOSE ALL THE MONEY YOU HAVE PAID FOR YOUR MEMBERSHIP INTEREST, YOU WILL LOSE YOUR RIGHT TO POSSESSION AND OCCUPANCY OF YOUR DWELLING UNIT, YOU MAY LOSE YOUR RIGHT TO ASSERT ANY CLAIMS OR DEFENSES THAT YOU MIGHT HAVE, AND YOU WILL BE EVICTED. IF YOU HAVE ANY QUESTIONS ABOUT THIS NOTICE, CONTACT AN ATTORNEY IMMEDIATELY."

(b) If the member or occupant fails to redeem before the expiration of 90 days following delivery of the notice to the member, the cooperative may bring an action for eviction against the member and any persons occupying the dwelling unit, and in that case section 504B.291 shall not apply.

(c) A cooperative may assign its lien rights in the same manner as any other secured party.

Sec. 59. **[308C.616] CERTIFICATED MEMBERSHIP INTERESTS.**

Subdivision 1. **Certificated; uncertificated.** The membership interests of a cooperative shall be either certificated or uncertificated. Each holder of certificated membership interests issued is entitled to a certificate of membership interest.

Subd. 2. **Signature required.** Certificates shall be signed by an agent or officer authorized in the articles or bylaws to sign share certificates or, in the absence of an authorization, by the chair or records officer of the cooperative.

Subd. 3. **Signature valid.** If a person signs or has a facsimile signature placed upon a certificate while the chair, an officer, transfer agent, or records officer of a cooperative, the certificate may be issued by the cooperative, even if the person has ceased to have that capacity before the certificate is issued, with the same effect as if the person had that capacity at the date of its issue.

Subd. 4. **Form of certificate.** A certificate representing membership interests of a cooperative shall contain on its face:

(1) the name of the cooperative;

(2) a statement that the cooperative is organized under the laws of this state and this chapter;

(3) the name of the person to whom the certificate is issued;

(4) the number and class of membership interests, and the designation of the series, if any, that the certificate represents;

(5) a statement that the membership interests in the cooperative are subject to the articles and bylaws of the cooperative; and

(6) any restrictions on transfer, including approval of the board, if applicable, first rights of purchase by the cooperative, and other restrictions on transfer, which may be stated by reference to the back of the certificate or to another document.

Subd. 5. **Limitations set forth.** A certificate representing membership interest issued by a cooperative authorized to issue membership interests of more than one class or series shall set forth upon the face or back of the certificate, or shall state that the cooperative will furnish to any member upon request and without charge, a full statement of the designations, preferences, limitations, and relative rights of the membership interests of each class or series authorized to be issued, so far as they have been determined, and the authority of the board to determine the relative rights and preferences of subsequent classes or series.

Subd. 6. **Prima facie evidence.** A certificate signed as provided in subdivision 2 is prima facie evidence of the ownership of the membership interests referred to in the certificate.

Subd. 7. **Uncertificated membership interests.** Unless uncertificated membership interests are prohibited by the articles or bylaws, a resolution approved by the affirmative vote of a majority of the directors present may provide that some or all of any or all classes and series of its membership interests will be uncertificated membership interests. The resolution does not apply to membership interests represented by a certificate until the certificate is surrendered to the cooperative. Within a reasonable time after the issuance or transfer of uncertificated membership interests, the cooperative shall send to the new member the information required by this section to be stated on certificates. This information is not required to be sent to the new holder by a publicly held cooperative that has adopted a system of issuance, recordation, and transfer of its membership interests by electronic or other means not involving an issuance of certificates if the system complies with section 17A of the Securities Exchange Act of 1934. Except as otherwise expressly provided by statute, the rights and obligations of the holders of certificated and uncertificated membership interests of the same class and series are identical.

Sec. 60. **[308C.621] LOST CERTIFICATES; REPLACEMENT.**

Subdivision 1. **Issuance.** A new membership interest certificate may be issued under section 336.8-405 in place of one that is alleged to have been lost, stolen, or destroyed.

Subd. 2. **Not overissue.** The issuance of a new certificate under this section does not constitute an overissue of the membership interests it represents.

Sec. 61. **[308C.625] RESTRICTION ON TRANSFER OR REGISTRATION OF MEMBERSHIP INTERESTS.**

Subdivision 1. **How imposed.** A restriction on the transfer or registration of transfer of membership interests of a cooperative may be imposed in the articles, in the bylaws, by a resolution adopted by the members, or by an agreement among or other written action by a number of members or holders of other

membership interests or among them and the cooperative. A restriction is not binding with respect to membership interests issued prior to the adoption of the restriction, unless the holders of those membership interests are parties to the agreement or voted in favor of the restriction.

Subd. 2. **Restrictions permitted.** A written restriction on the transfer or registration of transfer of membership interests of a cooperative that is not manifestly unreasonable under the circumstances may be enforced against the holder of the restricted membership interests or a successor or transferee of the holder, including a pledgee or a legal representative, if the restriction is either:

(1) noted conspicuously on the face or back of the certificate;

(2) included in this chapter or the articles or bylaws; or

(3) included in information sent to the holders of uncertificated membership interests.

Unless a restriction is in this chapter, the articles, bylaws, noted conspicuously on the face or back of the certificate, or included in information sent to the holders of uncertificated membership interests, a restriction, even though permitted by this section, is ineffective against a person without knowledge of the restriction. A restriction under this section is deemed to be noted conspicuously and is effective if the existence of the restriction is stated on the certificate and reference is made to a separate document creating or describing the restriction.

Sec. 62. **[308C.627] OPERATING AGREEMENT.**

Subdivision 1. **Authorization.** A written agreement among persons who are then members, including a sole member, or who have signed subscription or contribution agreements, relating to the control of any phase of the business and affairs of the cooperative, its liquidation, dissolution and termination, or the relations among members or persons who have signed subscription or contribution agreements is valid as provided in subdivision 2. Wherever this chapter provides that a particular result may or must be obtained through a provision in the articles or bylaws, the same result can be accomplished through an operating agreement valid under this section or through a procedure established by an operating agreement valid under this section.

Subd. 2. **Valid execution.** Other than occupant member voting control under section 308C.545 and occupant member allocation and distribution provisions under sections 308C.721 and 308C.725, a written agreement among persons described in subdivision 1 that relates to the control of or the liquidation, dissolution, and termination of the cooperative; the relations among them; or any phase of the business and affairs of the cooperative, including, without limitation, the management of its business; the declaration and payment of distributions; the sharing of profits and losses; the election of directors; the employment of members by the cooperative; or the arbitration of disputes, is valid, if the agreement is signed by all persons who are then the members of the cooperative, whether or not the members all have voting power, and all those who have signed contribution agreements, regardless of whether those signatories will, when members, have voting power.

Subd. 3. **Other agreements not affected.** This section does not apply to, limit, or restrict agreements otherwise valid, nor is the procedure set forth in this section the exclusive method of agreement among members or between the members and the cooperative with respect to any of the matters described.

Sec. 63. **[308C.701] AUTHORIZATION, FORM, AND ACCEPTANCE OF CONTRIBUTIONS.**

Subdivision 1. **Board of directors may authorize.** Subject to any restrictions in this chapter regarding occupant and nonoccupant membership interests or in the articles or bylaws, and only when authorized by the board, a cooperative may accept contributions, which may be occupant or nonoccupant membership contributions as determined by the board under subdivisions 2 and 3, make contribution agreements under section 308C.711, and make contribution allowance agreements under section 308C.715.

Subd. 2. **Permissible forms.** A person may make a contribution to a cooperative:

(1) by paying money or transferring the ownership of an interest in property to the cooperative or rendering services to or for the benefit of the cooperative; or

(2) through a written obligation signed by the person to pay money or transfer ownership of an interest in property to the cooperative or to perform services to or for the benefit of the cooperative.

Subd. 3. **Acceptance of contributions.** No purported contribution is to be treated or considered as a contribution, unless:

(1) the board accepts the contribution on behalf of the cooperative and in that acceptance describes the contribution, including terms of future performance, if any, and states the value being accorded to the contribution; and

(2) the fact of contribution and the contribution's accorded value are both reflected in the required records of the cooperative.

Subd. 4. **Valuation.** The determinations of the board as to the amount or fair value or the fairness to the cooperative of the contribution accepted or to be accepted by the cooperative or the terms of payment or performance, including under a contribution agreement in section 308C.711, and a contribution allowance agreement in section 308C.715, are presumed to be proper if they are made in good faith and on the basis of accounting methods, or a fair valuation or other method, reasonable in the circumstances. Directors who are present and entitled to vote, and who, intentionally or without reasonable investigation, fail to vote against approving a consideration that is unfair to the cooperative, or overvalue property or services received or to be received by the cooperative as a contribution, are jointly and severally liable to the cooperative for the benefit of the then members who did not consent to and are damaged by the action, to the extent of the damages of those members. A director against whom a claim is asserted under this subdivision, except in case of knowing participation in a deliberate fraud, is entitled to contribution on an equitable basis from other directors who are liable under this subdivision.

Sec. 64. **[308C.705] RESTATEMENT OF VALUE OF PREVIOUS CONTRIBUTIONS.**

Subdivision 1. **Definition.** As used in this section, an "old contribution" is a contribution reflected in the required records of a cooperative for a nonoccupant membership interest before the time the cooperative accepts a new contribution for a nonoccupant membership interest.

Subd. 2. **Restatement required.** Whenever a cooperative accepts a new contribution for a nonoccupant membership interest, the board shall restate, as required by this section, the value of all old contributions.

Subd. 3. **Restatement as to particular series or class to which new contribution pertains.** (a) Unless otherwise provided in the articles or bylaws, this subdivision sets forth the method of restating the value of old contributions that pertain to the same series or class to which the new contribution pertains. To restate the value:

(1) state the value the cooperative has accorded to the new contribution under section 308C.701, subdivision 3, clause (1);

(2) determine what percentage the value stated under clause (1) will constitute, after the restatement required by this subdivision, of the total value of all contributions that pertain to the particular series or class to which the new contribution pertains;

(3) divide the value stated under clause (1) by the percentage determined under clause (2), yielding the total value, after the restatement required by this subdivision, of all contributions pertaining to the particular series or class;

(4) subtract the value stated under clause (1) from the value determined under clause (3), yielding the total value, after the restatement required by this subdivision, of all the old contributions pertaining to the particular series or class;

(5) subtract the value, as reflected in the required records before the restatement required by this subdivision, of the old contributions from the value determined under clause (4), yielding the value to be allocated among and added to the old contributions pertaining to the particular series or class; and

(6) allocate the value determined under clause (5) proportionally among the old contributions pertaining to the particular series or class, add the allocated values to those old contributions, and change the required records accordingly.

(b) The values determined under paragraph (a), clause (5), and allocated and added under paragraph (a), clause (6), may be positive, negative, or zero.

Subd. 4. **Restatement method for other series or class.** Unless otherwise provided in the articles or bylaws, this subdivision sets forth the method of restating the value of old contributions that do not pertain to the same series or class to which the new contribution pertains. To restate the value:

(1) determine the percentage by which the restatement under subdivision 3 has changed the total contribution value reflected in the required records for the series or class to which the new contribution pertains; and

(2) as to each old contribution that does not pertain to the same series or class to which the new contribution pertains, change the value reflected in the required records by the percentage determined under clause (1). The percentage determined under clause (1) may be positive, negative, or zero.

Subd. 5. **New contributions may be aggregated.** If a cooperative accepts more than one contribution pertaining to the same series or class at the same time, then for the purpose of the restatement required by this section, the cooperative may consider all the new contributions a single contribution.

Sec. 65. **[308C.711] CONTRIBUTION AGREEMENTS.**

Subdivision 1. **Signed writing.** A contribution agreement, whether made before or after the formation of the cooperative, is not enforceable against the would-be contributor unless it is in writing and signed by the would-be contributor.

Subd. 2. **Irrevocable period.** Unless otherwise provided in the contribution agreement, or unless all of the would-be contributors and, if in existence, the cooperative, consent to a shorter or longer period, a contribution agreement is irrevocable for a period of six months.

Subd. 3. **Current and deferred payment.** A contribution agreement, whether made before or after the formation of a cooperative, must be paid or performed in full at the time or times, or in the installments, if any, specified in the contribution agreement. In the absence of a provision in the contribution agreement specifying the time at which the contribution is to be paid or performed, the contribution must be paid or performed at the time or times determined by the board, but a call made by the board for payment or performance on contributions must be uniform for all membership interests of the same class or for all membership interests of the same series.

Subd. 4. **Failure to pay remedies.** (a) Unless otherwise provided in the contribution agreement, in the event of default in the payment or performance of an installment or call when due, the cooperative may proceed to collect the amount due in the same manner as a debt due the cooperative. If a would-be contributor does not make a required contribution of property or services, the cooperative shall require the would-be contributor to contribute cash equal to that portion of the value, as stated in the cooperative required records, of the contribution that has not been made.

(b) If the amount due under a contribution agreement remains unpaid for a period of 20 days after written notice of demand for payment has been given to the delinquent would-be contributor, the membership interests that were subject to the contribution agreement may be offered for sale by the cooperative for a price in money equaling or exceeding the sum of the full balance owed by the delinquent would-be contributor plus the expenses incidental to the sale.

If the membership interests that were subject to the contribution agreement are sold according to this paragraph, the cooperative shall pay to the delinquent would-be contributor or to the delinquent would-be contributor's legal representative the lesser of:

(1) the excess of net proceeds realized by the cooperative over the sum of the amount owed by the delinquent would-be contributor plus the expenses incidental to the sale, less any penalty stated in the contribution agreement, which may include forfeiture of the partial contribution; and

(2) the amount actually paid by the delinquent would-be contributor.

If the membership interests that were subject to the contribution agreement are not sold according to this paragraph, the cooperative may collect the amount due in the same manner as a debt due the cooperative or cancel the contribution agreement according to paragraph (c).

(c) If the amount due under a contribution agreement remains unpaid for a period of 20 days after written notice of demand for payment has been given to the delinquent would-be contributor and the membership interests that were subject to the defaulted contribution agreement have not been sold according to paragraph (b), the cooperative may cancel the contribution agreement, the cooperative may retain any portion of the contribution agreement price actually paid as provided in the contribution agreement, and the cooperative shall refund to the delinquent would-be contributor or the delinquent would-be contributor's legal representatives any portion of the contribution agreement price as provided in the contribution agreement.

Subd. 5. **Restrictions on assignment.** Unless otherwise provided in the articles or bylaws, a would-be contributor's rights under a contribution agreement may not be assigned, in whole or in part, to a person who was not a member at the time of the assignment, unless all the members approve the assignment by unanimous written consent.

Sec. 66. **[308C.715] CONTRIBUTION RIGHTS AGREEMENTS.**

Subdivision 1. **Agreements permitted.** Subject to any restrictions in the articles or bylaws, a cooperative may enter into contribution rights agreements under the terms, provisions, and conditions fixed by the board.

Subd. 2. **Writing required and terms to be stated.** Any contribution rights agreement must be in writing and the writing must state in full, summarize, or include by reference all the agreement's terms, provisions, and conditions of the rights to make contributions.

Subd. 3. **Restrictions on assignment.** Unless otherwise provided in the articles or bylaws, a would-be contributor's rights under a contribution rights agreement may not be assigned, in whole or in part, to a person who was not a member at the time of the assignment, unless all the members approve the assignment by unanimous written consent.

Sec. 67. **[308C.721] ALLOCATIONS AND DISTRIBUTIONS TO MEMBERS.**

Subdivision 1. **Allocation of profits and losses.** If applicable to the specific type of housing cooperative formed under this chapter, the bylaws or operating agreement shall prescribe the allocation of profits and losses between occupant membership interests collectively and any other membership interests. If the bylaws or operating agreement do not otherwise provide, the profits and losses between occupant membership interests collectively and other membership interests shall be allocated on the basis of the value of contributions to capital made by the occupant membership interests collectively and other membership interests and accepted by the cooperative. The allocation of profits to the occupant membership interests collectively shall not be less than 50 percent of the total profits in any fiscal year, except that if authorized in the original articles as filed or in articles or bylaws that are adopted by an affirmative vote of the occupant members or the articles or bylaws are amended by the affirmative vote of the occupant members, the allocation of profits to the occupant membership interests collectively may not be less than 15 percent of the total profits in any fiscal year.

Subd. 2. **Distribution of cash or other assets.** The bylaws or operating agreement shall prescribe the distribution of cash or other assets of the cooperative among the membership interests of the cooperative. If not otherwise provided in the bylaws, distribution shall be made to the occupant membership interests collectively and other members on the basis of the value of contributions to capital made and accepted by the cooperative, by the occupant membership interests collectively, and other membership interests. The distributions to occupant membership interests collectively shall not be less than 50 percent of the total distributions in any fiscal year, except that if authorized in the articles or bylaws adopted by the affirmative vote of the occupant members, or the articles or bylaws are amended by the affirmative vote of the occupant members, the distributions to patron membership interests collectively shall not be less than 15 percent of the total distributions in any year.

Sec. 68. **[308C.725] ALLOCATIONS AND DISTRIBUTIONS TO OCCUPANT MEMBERS.**

Subdivision 1. **Distribution of net income.** A cooperative may set aside a portion of net income allocated to the occupant membership interests as the board determines advisable to create or maintain a capital reserve.

Subd. 2. **Reserves.** In addition to a capital reserve, the board may, for occupant membership interests:

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

(2) establish and accumulate reserves for common area items, buildings, depreciation, losses, and other proper purposes.

Subd. 3. **Occupant distributions.** Any net income allocated to occupant members in excess of dividends on equity and additions to reserves shall be distributed to occupant members on the basis of patronage of cooperative. A cooperative may establish allocation units, whether the units are functional, divisional, departmental, or otherwise and pooling arrangements and may account for and distribute net income to occupants on the basis of allocation units and pooling arrangements. A cooperative may offset the net loss of an allocation unit or pooling arrangement against the net income of other allocation units or pooling arrangements.

Subd. 4. **Frequency of distribution.** Distribution of net income may be made at least annually. The board shall present to the members at their annual meeting a report covering the operations of the cooperative during the preceding fiscal year.

Subd. 5. **Form of distribution.** A cooperative may distribute net income to occupant members in cash, capital credits, allocated patronage equities, revolving fund certificates, or its own or other securities.

Sec. 69. **[308C.735] DISTRIBUTION OF UNCLAIMED PROPERTY.**

Subdivision 1. **Alternate procedure to disburse property.** A cooperative may, in lieu of paying or delivering to the state the unclaimed property specified in its report of unclaimed property, distribute the unclaimed property to a business entity or organization that is exempt from taxation.

Subd. 2. **Owner's right extinguished on disbursement.** The right of an owner to unclaimed property held by a cooperative is extinguished when the property is disbursed by the cooperative to a tax exempt organization if: (1) notice that the payment is available has been mailed to the last known address of the person shown by the records to be entitled to the property; or (2) the address is unknown, notice is published in an official publication of the cooperative.

Sec. 70. **[308C.801] MERGER AND CONSOLIDATION.**

Subdivision 1. **Authorization.** Unless otherwise prohibited, cooperatives organized under the laws of this state, including cooperatives organized under this chapter or chapter 308A or 308B, may merge or consolidate with each other, a Minnesota limited liability company under the provisions of sections 322C.1001 to 322C.1015, or other business entities organized under the laws of another state by complying with the provisions of this section and the law of the state where the surviving or new business entity will exist. A cooperative may not merge or consolidate with a business entity organized under the laws of this state, other than a cooperative organized under chapter 308A or 308B, unless the law governing the business entity expressly authorizes merger or consolidation with a cooperative.

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

(1) the names of the constituent domestic cooperatives, the name of any Minnesota limited liability company that is a party to the merger, to the extent authorized under sections 322C.1001 to 322C.1005 and 322C.1015, and any foreign business entities;

(2) the name of the surviving or new domestic cooperative, Minnesota limited liability company as required by section 322C.1002, or other foreign business entity;

(3) the manner and basis of converting membership or ownership interests of the constituent domestic cooperatives, the surviving Minnesota limited liability company as provided in section 322C.1002, or foreign business entities into membership or ownership interests in the surviving or new domestic cooperative, the surviving Minnesota limited liability company as authorized in section 322C.1002, or foreign business entity;

(4) the terms of the merger or consolidation;

(5) the proposed effect of the consolidation or merger on the members and patron members of each constituent domestic cooperative; and

(6) for a consolidation, the plan shall contain the articles of the entity or organizational documents to be filed with the state in which the entity is organized or, if the surviving organization is a Minnesota limited liability company, the articles of organization.

Subd. 3. **Notice.** The following shall apply to notice:

(1) the board shall mail or otherwise transmit or deliver notice of the merger or consolidation to each member. The notice shall contain the full text of the plan, and the time and place of the meeting at which the plan will be considered; and

(2) a cooperative with more than 200 members may provide the notice in the same manner as a regular members' meeting notice.

Subd. 4. **Adoption of plan.** (a) A plan of merger or consolidation shall be adopted by a domestic cooperative as provided in this subdivision.

(b) A plan of merger or consolidation is adopted if:

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

(2) the plan is approved by the occupant members, or if otherwise provided in the articles or bylaws is approved by a majority of the votes cast in each class of votes cast, or for a domestic cooperative with articles or bylaws requiring more than a majority of the votes cast or other conditions for approval, the plan is approved by a proportion of the votes cast or a number of total members as required by the articles or bylaws and the conditions for approval in the articles or bylaws have been satisfied.

(c) After the plan has been adopted, articles of merger or consolidation stating the plan and that the plan was adopted according to this subdivision shall be signed by the chair, vice chair, records officer, or documents officer of each cooperative merging or consolidating.

(d) The articles of merger or consolidation shall be filed in the Office of the Secretary of State.

(e) For a merger, the articles of the surviving domestic cooperative subject to this chapter are deemed amended to the extent provided in the articles of merger.

(f) Unless a later date is provided in the plan, the merger or consolidation is effective when the articles of merger or consolidation are filed in the office of the secretary of state or the appropriate office of another jurisdiction.

(g) The secretary of state shall issue a certificate of organization of the merged or consolidated cooperative.

Subd. 5. **Effect of merger.** For a merger that does not involve a Minnesota limited liability company, the following shall apply to the effect of a merger:

(a) After the effective date, the domestic cooperative, Minnesota limited liability company, if party to the plan, and any foreign business entity that is a party to the plan become a single entity. For a merger, the surviving business entity is the business entity designated in the plan. For a consolidation, the new domestic cooperative, the Minnesota limited liability company, if any, and any foreign business entity is the business entity provided for in the plan. Except for the surviving or new domestic cooperative, Minnesota limited liability company, or foreign business entity, the separate existence of each merged or consolidated domestic or foreign business entity that is a party to the plan ceases on the effective date of the merger or consolidation.

(b) The surviving or new domestic cooperative, Minnesota limited liability company, or foreign business entity possesses all of the rights and property of each of the merged or consolidated business entities and is responsible for all their obligations. The title to property of the merged or consolidated domestic cooperative or foreign business entity is vested in the surviving or new domestic cooperative, Minnesota limited liability company, or foreign business entity without reversion or impairment of the title caused by the merger or consolidation.

(c) If a merger involves a Minnesota limited liability company, this subdivision is subject to the provisions of section 322C.1002.

Sec. 71. **[308C.805] MERGER OF SUBSIDIARY.**

Subdivision 1. **When authorized; contents of plan.** (a) For purposes of this section, "subsidiary" means a domestic cooperative, a Minnesota limited liability company, or a foreign cooperative, and "cooperative" means a domestic cooperative. A Minnesota limited liability company may only participate in a merger under this section to the extent authorized under section 322C.1002. A parent domestic cooperative or a subsidiary that is a domestic cooperative may complete the merger of a subsidiary as provided in this section, provided however, if either the parent or the subsidiary is a business entity organized under the laws of this state, the merger of the subsidiary is not authorized under this section unless the law governing the business entity expressly authorizes merger with a cooperative. A parent cooperative owning at least 90 percent of the outstanding ownership interests of each class and series of a subsidiary directly, or indirectly through related organizations, other than classes or series that, absent this section, would otherwise not be entitled to vote on the merger, may merge the subsidiary into itself or into any other subsidiary at least 90 percent of the outstanding ownership interests of each class and series of which is owned by the parent cooperative directly, or indirectly through related organizations, other than classes or series that, absent this section, would otherwise not be entitled to vote on the merger, without a vote of the members of itself or any subsidiary or may merge itself, or itself and one or more of the subsidiaries, into one of the subsidiaries under this section. A resolution approved by the affirmative vote of a majority of the directors of the parent cooperative present shall set forth a plan of merger that contains:

(1) the name of the subsidiary or subsidiaries, the name of the parent, and the name of the surviving cooperative;

(2) the manner and basis of converting the membership interests of the subsidiary or subsidiaries or parent into securities of the parent, subsidiary, or of another cooperative or, in the whole or in part, into money or other property;

(3) if the parent is a constituent cooperative but is not the surviving cooperative in the merger, a provision for the pro rata issuance of membership interests of the surviving cooperative to the holders of membership interests of the parent on surrender of any certificates for shares of the parent; and

(4) if the surviving cooperative is a subsidiary, a statement of any amendments to the articles of the surviving cooperative that will be part of the merger.

(b) If the parent is a constituent cooperative and the surviving cooperative in the merger, it may change its cooperative name, without a vote of its members, by the inclusion of a provision to that effect in the resolution of merger setting forth the plan of merger that is approved by the affirmative vote of a majority of the directors of the parent present. Upon the effective date of the merger, the name of the parent shall be changed.

(c) If the parent is a constituent cooperative but is not the surviving cooperative in the merger, the resolution is not effective unless it is also approved by the affirmative vote of the holders of a majority of the voting power of all membership interests of the parent entitled to vote at a regular or special meeting if the parent is a cooperative, or in accordance with the laws under which it is organized if the parent is a foreign business entity or cooperative.

Subd. 2. **Notice to members of subsidiary.** Notice of the action, including a copy of the plan of merger, shall be given to each member, other than the parent and any subsidiary of each subsidiary that is a constituent cooperative in the merger before, or within ten days after, the effective date of the merger.

Subd. 3. **Articles of merger; contents of articles.** Articles of merger shall be prepared that contain:

(1) the plan of merger;

(2) the number of outstanding membership interests of each series and class of each subsidiary that is a constituent cooperative in the merger, other than the series or classes that, absent this section, would otherwise not be entitled to vote on the merger, and the number of membership interests of each series and class of the subsidiary or subsidiaries, other than series or classes that, absent this section, would otherwise not be entitled to vote on the merger, owned by the parent directly, or indirectly through related organizations; and

(3) a statement that the plan of merger has been approved by the parent under this section.

Subd. 4. **Articles signed, filed.** The articles of merger shall be signed on behalf of the parent and filed with the secretary of state.

Subd. 5. **Certificate.** The secretary of state shall issue a certificate of merger to the parent or its legal representative or, if the parent is a constituent cooperative but is not the surviving cooperative in the merger, to the surviving cooperative or its legal representative.

Subd. 6. **Nonexclusivity.** A merger among a parent and one or more subsidiaries or among two or more subsidiaries of a parent may be accomplished under section 308C.801 instead of this section, in which case this section does not apply.

Sec. 72. **[308C.835] ABANDONMENT.**

Subdivision 1. **Abandonment by members before plan effective date.** After a plan of merger has been approved by the members entitled to vote on the approval of the plan and before the effective date of the plan, the plan may be abandoned by the same vote that approved the plan.

Subd. 2. **Generally.** (a) A merger may be abandoned:

(1) if the members of each of the constituent domestic cooperatives entitled to vote on the approval of the plan have approved the abandonment at a meeting by the affirmative vote of the holders of a majority of the voting power of the membership interests entitled to vote; if the merger is with a domestic cooperative and a Minnesota limited liability company or foreign business entity, if abandonment is approved in such manner as may be required by section 322C.1003 for the involvement of a Minnesota limited liability company, or for a foreign business entity by the laws of the state under which the foreign business entity is organized; and the members of a constituent domestic cooperative are not entitled to vote on the approval of the plan, the board of the constituent domestic cooperative has approved the abandonment by the affirmative vote of a majority of the directors present;

(2) if the plan itself provides for abandonment and all conditions for abandonment set forth in the plan are met; or

(3) under paragraph (b).

(b) A plan of merger may be abandoned before the effective date of the plan by a resolution of the board of any constituent domestic cooperative abandoning the plan of merger approved by the affirmative vote of a majority of the directors present, subject to the contract rights of any other person under the plan. If a plan of merger is with a domestic or foreign business entity, the plan of merger may be abandoned before the effective date of the plan by a resolution of the foreign business entity adopted according to the laws of the state under which the foreign business entity is organized, subject to the contract rights of any other person under the plan. If the plan of merger is with a Minnesota limited liability company, the plan of merger may be abandoned by the Minnesota limited liability company as provided in section 322C.1003, subject to the contractual rights of any other person under the plan.

(c) If articles of merger have been filed with the secretary of state, but have not yet become effective, the constituent organizations, in the case of abandonment under paragraph (a), clause (1), the constituent organizations or any one of them, in the case of abandonment under paragraph (a), clause (2), or the abandoning organization in the case of abandonment under paragraph (b), shall file with the secretary of state articles of abandonment that contain:

(1) the names of the constituent organizations;

(2) the provisions of this section under which the plan is abandoned; and

(3) if the plan is abandoned under paragraph (b), the text of the resolution abandoning the plan.

Sec. 73. **[308C.901] METHODS OF DISSOLUTION.**

A cooperative may be dissolved by the members or by order of the court.

Sec. 74. **[308C.902] VOLUNTARY DISSOLUTION BY MEMBERS.**

Subdivision 1. **Meeting to consider dissolution.** A regular or a special member meeting may be called to consider dissolution of a cooperative.

Subd. 2. **Approval.** The proposed dissolution must be submitted for approval at the member meeting. The dissolution must be started if a quorum is present and the proposed dissolution is approved at a meeting by the affirmative vote of two-thirds of the entire membership of record, or for a cooperative with articles or bylaws requiring a greater proportion of the votes cast or other conditions for approval, the dissolution

is approved by the proportion of votes cast or the number of total members required by the articles or bylaws, and if the conditions for approval in the articles or bylaws are satisfied.

Subd. 3. **Revocation of dissolution.** The members retain the right to revoke the dissolution proceedings and the right to remove directors and fill vacancies on the board.

Sec. 75. **[308C.903] NOTICE OF INTENT TO DISSOLVE.**

Before a cooperative begins dissolution, a notice of intent to dissolve must be filed with the secretary of state. The notice must contain:

(1) the name of the cooperative;

(2) the date and place of the member meeting at which the resolution was approved; and

(3) a statement that the requisite vote of the members approved the proposed dissolution.

Sec. 76. **[308C.905] WINDING UP.**

Subdivision 1. **Collection and payment of debts.** After the notice of intent to dissolve has been filed with the secretary of state, the board, or the officers acting under the direction of the board, shall proceed as soon as possible:

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

(2) to pay or make provision for the payment of all debts, obligations, and liabilities of the cooperative according to their priorities.

Subd. 2. **Transfer of assets.** After the notice of intent to dissolve has been filed with the secretary of state, the board may sell, lease, transfer, or otherwise dispose of all or substantially all of the property and assets of the dissolving cooperative without a vote of the members.

Subd. 3. **Distribution to members.** Unless required otherwise by this chapter, tangible and intangible property, including money, remaining after the discharge of the debts, obligations, and liabilities of the cooperative shall be distributed as provided in the articles or bylaws. If previously authorized by the members, the tangible and intangible property of the cooperative may be liquidated and disposed of at the discretion of the board.

Sec. 77. **[308C.911] REVOCATION OF DISSOLUTION PROCEEDINGS.**

Subdivision 1. **Authority to revoke.** Dissolution proceedings may be revoked before the articles of dissolution are filed with the secretary of state.

Subd. 2. **Revocation by members.** The president may call a member meeting to consider the advisability of revoking the dissolution proceedings. The question of the proposed revocation shall be submitted to the members at the member meeting called to consider the revocation. The dissolution proceedings are revoked if the proposed revocation is approved at the member meeting by the affirmative vote of a majority of the entire membership of record in the cooperative or, for a cooperative with articles or bylaws requiring a greater number of affirmative votes, the number of memberships required by the articles or bylaws.

Subd. 3. **Filing with secretary of state.** Revocation of dissolution proceedings is effective when a notice of revocation is filed with the secretary of state. After the notice is filed, the cooperative may resume business.

Sec. 78. **[308C.915] STATUTE OF LIMITATIONS.**

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

Sec. 79. **[308C.921] ARTICLES OF DISSOLUTION.**

Subdivision 1. **Conditions to file.** Articles of dissolution of a cooperative shall be filed with the secretary of state after payment of the claims of all known creditors and claimants has been made or provided for and the remaining property has been distributed by the board. The articles of dissolution shall state:

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

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

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

Subd. 2. **Dissolution effective on filing.** The cooperative is dissolved when the articles of dissolution have been filed with the secretary of state.

Subd. 3. **Certificate.** The secretary of state shall issue to the dissolved cooperative or its legal representative a certificate of dissolution that contains:

(1) the name of the dissolved cooperative;

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

(3) a statement that the cooperative is dissolved.

Sec. 80. **[308C.925] APPLICATION FOR COURT-SUPERVISED VOLUNTARY DISSOLUTION.**

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

Sec. 81. **[308C.931] COURT-ORDERED REMEDIES OR DISSOLUTION.**

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

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

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

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

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

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

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

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

(3) in an action by a creditor when:

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

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

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

Subd. 2. **Condition of cooperative.** In determining whether to order equitable relief or dissolution, the court shall take into consideration the financial condition of the cooperative but may not refuse to order equitable relief or dissolution solely on the ground that the cooperative has accumulated operating net income or current operating net income.

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

Subd. 4. **Expenses.** If the court finds that a party to a proceeding brought under this section has acted arbitrarily, vexatiously, or otherwise not in good faith, the court may in its discretion award reasonable expenses, including attorney fees and disbursements, to any of the other parties.

Subd. 5. **Venue.** Proceedings under this section shall be brought in a court within the county where the registered office of the cooperative is located.

Subd. 6. **Parties.** It is not necessary to make members parties to the action or proceeding unless relief is sought against them personally.

Sec. 82. **[308C.935] PROCEDURE INVOLUNTARY OR COURT-SUPERVISED VOLUNTARY DISSOLUTION.**

Subdivision 1. **Action before hearing.** In dissolution proceedings before a hearing can be completed, the court may:

(1) issue injunctions;

(2) appoint receivers with all powers and duties that the court directs;

(3) take actions required to preserve the cooperative's assets wherever located; and

(4) carry on the business of the cooperative.

Subd. 2. **Action after hearing.** After a hearing is completed, upon notice to parties to the proceedings and to other parties in interest designated by the court, the court may appoint a receiver to collect the cooperative's assets, including amounts owing to the cooperative by subscribers on account of an unpaid portion of the consideration for the issuance of shares. In addition to the powers set forth in chapter 576, a receiver has authority, subject to the order of the court, to continue the business of the cooperative and to sell, lease, transfer, or otherwise dispose of the property and assets of the cooperative either at public or private sale.

Subd. 3. **Discharge of obligations.** The assets of the cooperative or the proceeds resulting from a sale, lease, transfer, or other disposition shall be applied in the order of priority set forth in section 576.51.

Subd. 4. **Remainder to members.** After payment of the expenses of receivership and claims of creditors are proved, the remaining assets, if any, may be distributed to the members, distributed according to an approved liquidation plan, or distributed as otherwise required under this chapter.

Sec. 83. **[308C.941] RECEIVER QUALIFICATIONS AND POWERS.**

Subdivision 1. **Qualifications.** Any person qualified under section 576.26 may be appointed as a receiver. A receiver must give a bond as required by section 576.27.

Subd. 2. **Powers.** A receiver may sue and defend all actions as receiver of the cooperative.

Sec. 84. **[308C.945] DISSOLUTION ACTION BY ATTORNEY GENERAL; ADMINISTRATIVE DISSOLUTION.**

Subdivision 1. **Conditions to begin action.** A cooperative may be dissolved involuntarily by a decree of a court in this state in an action filed by the attorney general if it is established that:

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

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

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

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

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

Sec. 85. **[308C.951] FILING CLAIMS IN COURT-SUPERVISED DISSOLUTION PROCEEDINGS.**

In proceedings to dissolve a cooperative, the court may require all creditors and claimants of the cooperative to file their claims under section 576.49. The receiver or any party in interest may object to any claims under section 576.50.

Sec. 86. **[308C.955] DISCONTINUANCE OF COURT-SUPERVISED DISSOLUTION PROCEEDINGS.**

The involuntary or supervised voluntary dissolution of a cooperative may be discontinued at any time during the dissolution proceedings if it is established that cause for dissolution does not exist. The court shall dismiss the proceedings and direct the receiver, if any, to redeliver to the cooperative its remaining property and assets and to file a final report under section 576.38, subdivision 3.

Sec. 87. **[308C.961] COURT-SUPERVISED DISSOLUTION ORDER.**

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

Subd. 2. **Dissolution effective on filing order.** When the order dissolving the cooperative or association has been entered, the cooperative or association is dissolved.

Sec. 88. **[308C.965] FILING COURT'S DISSOLUTION ORDER.**

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

Sec. 89. **[308C.971] BARRING OF CLAIMS.**

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

Subd. 2. **Certain unfiled claims allowed.** By one year after articles of dissolution have been filed with the secretary of state pursuant to this chapter, or a dissolution order has been entered, a creditor or claimant

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

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

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

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

Sec. 90. **[308C.975] RIGHT TO SUE OR DEFEND AFTER DISSOLUTION.**

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

Sec. 91. **EFFECTIVE DATE.**

This article is effective August 1, 2025.

ARTICLE 2

CROSS-REFERENCE UPDATES

Section 1. Minnesota Statutes 2022, section 116J.395, subdivision 3, is amended to read:

Subd. 3. **Eligible applicants.** Eligible applicants for grants awarded under this section include:

(1) an incorporated business or a partnership;

(2) a political subdivision;

(3) an Indian tribe;

(4) a Minnesota nonprofit organization organized under chapter 317A;

(5) a Minnesota cooperative association organized under chapter 308A ~~or~~, 308B, or 308C; or

(6) a Minnesota limited liability corporation organized under chapter 322C, to expand broadband access.

Sec. 2. Minnesota Statutes 2022, section 273.11, subdivision 8, is amended to read:

Subd. 8. **Limited equity cooperative apartments.** For the purposes of this subdivision, the terms defined in this subdivision have the meanings given them.

A "limited equity cooperative" is a corporation organized under chapter 308A ~~or~~, 308B, or 308C, which has as its primary purpose the provision of housing and related services to its members which meets one of the following criteria with respect to the income of its members: (1) a minimum of 75 percent of members must have incomes at or less than 90 percent of area median income, (2) a minimum of 40 percent of members must have incomes at or less than 60 percent of area median income, or (3) a minimum of 20 percent of

members must have incomes at or less than 50 percent of area median income. For purposes of this clause, "member income" shall mean the income of a member existing at the time the member acquires cooperative membership, and median income shall mean the St. Paul-Minneapolis metropolitan area median income as determined by the United States Department of Housing and Urban Development. It must also meet the following requirements:

(a) The articles of incorporation set the sale price of occupancy entitling cooperative shares or memberships at no more than a transfer value determined as provided in the articles. That value may not exceed the sum of the following:

(1) the consideration paid for the membership or shares by the first occupant of the unit, as shown in the records of the corporation;

(2) the fair market value, as shown in the records of the corporation, of any improvements to the real property that were installed at the sole expense of the member with the prior approval of the board of directors;

(3) accumulated interest, or an inflation allowance not to exceed the greater of a ten percent annual noncompounded increase on the consideration paid for the membership or share by the first occupant of the unit, or the amount that would have been paid on that consideration if interest had been paid on it at the rate of the percentage increase in the revised Consumer Price Index for All Urban Consumers for the Minneapolis-St. Paul metropolitan area prepared by the United States Department of Labor, provided that the amount determined pursuant to this clause may not exceed $500 for each year or fraction of a year the membership or share was owned; plus

(4) real property capital contributions shown in the records of the corporation to have been paid by the transferor member and previous holders of the same membership, or of separate memberships that had entitled occupancy to the unit of the member involved. These contributions include contributions to a corporate reserve account the use of which is restricted to real property improvements or acquisitions, contributions to the corporation which are used for real property improvements or acquisitions, and the amount of principal amortized by the corporation on its indebtedness due to the financing of real property acquisition or improvement or the averaging of principal paid by the corporation over the term of its real property-related indebtedness.

(b) The articles of incorporation require that the board of directors limit the purchase price of stock or membership interests for new member-occupants or resident shareholders to an amount which does not exceed the transfer value for the membership or stock as defined in clause (a).

(c) The articles of incorporation require that the total distribution out of capital to a member shall not exceed that transfer value.

(d) The articles of incorporation require that upon liquidation of the corporation any assets remaining after retirement of corporate debts and distribution to members will be conveyed to a charitable organization described in section 501(c)(3) of the Internal Revenue Code or a public agency.

A "limited equity cooperative apartment" is a dwelling unit owned by a limited equity cooperative.

"Occupancy entitling cooperative share or membership" is the ownership interest in a cooperative organization which entitles the holder to an exclusive right to occupy a dwelling unit owned or leased by the cooperative.

For purposes of taxation, the assessor shall value a unit owned by a limited equity cooperative at the lesser of its market value or the value determined by capitalizing the net operating income of a comparable

apartment operated on a rental basis at the capitalization rate used in valuing comparable buildings that are not limited equity cooperatives. If a cooperative fails to operate in accordance with the provisions of clauses (a) to (d), the property shall be subject to additional property taxes in the amount of the difference between the taxes determined in accordance with this subdivision for the last ten years that the property had been assessed pursuant to this subdivision and the amount that would have been paid if the provisions of this subdivision had not applied to it. The additional taxes, plus interest at the rate specified in section 549.09, shall be extended against the property on the tax list for the current year.

Sec. 3. Minnesota Statutes 2022, section 273.124, subdivision 3, is amended to read:

Subd. 3. **Cooperatives and charitable corporations; homestead and other property.** (a) When property is owned by a corporation or association organized under chapter 308A ~~or~~, 308B, or 308C, and each person who owns a share or shares in the corporation or association is entitled to occupy a building on the property, or a unit within a building on the property, the corporation or association may claim homestead treatment for each dwelling, or for each unit in the case of a building containing several dwelling units, or for the part of the value of the building occupied by a shareholder. Each building or unit must be designated by legal description or number. The net tax capacity of each building or unit that qualifies for assessment as a homestead under this subdivision must include not more than one-half acre of land, if platted, nor more than 80 acres if unplatted. The net tax capacity of the property is the sum of the net tax capacities of each of the respective buildings or units comprising the property, including the net tax capacity of each unit's or building's proportionate share of the land and any common buildings. To qualify for the treatment provided by this subdivision, the corporation or association must be wholly owned by persons having a right to occupy a building or unit owned by the corporation or association. A charitable corporation organized under the laws of Minnesota and not otherwise exempt thereunder with no outstanding stock qualifies for homestead treatment with respect to member residents of the dwelling units who have purchased and hold residential participation warrants entitling them to occupy the units.

(b) To the extent provided in paragraph (a), a cooperative or corporation organized under chapter 308A ~~or~~, 308B, or 308C may obtain separate assessment and valuation, and separate property tax statements for each residential homestead, residential nonhomestead, or for each seasonal residential recreational building or unit not used for commercial purposes. The appropriate classification rates under section 273.13 shall be applicable as if each building or unit were a separate tax parcel; provided, however, that the tax parcel which exists at the time the cooperative or corporation makes application under this subdivision shall be a single parcel for purposes of property taxes or the enforcement and collection thereof, other than as provided in paragraph (a) or this paragraph.

(c) A member of a corporation or association may initially obtain the separate assessment and valuation and separate property tax statements, as provided in paragraph (b), by applying to the assessor by June 30 of the assessment year.

(d) When a building, or dwelling units within a building, no longer qualify under paragraph (a) or (b), the current owner must notify the assessor within 30 days. Failure to notify the assessor within 30 days shall result in the loss of benefits under paragraph (a) or (b) for taxes payable in the year that the failure is discovered. For these purposes, "benefits under paragraph (a) or (b)" means the difference in the net tax capacity of the building or units which no longer qualify as computed under paragraph (a) or (b) and as computed under the otherwise applicable law, times the local tax rate applicable to the building for that taxes payable year. Upon discovery of a failure to notify, the assessor shall inform the auditor of the difference in net tax capacity for the building or buildings in which units no longer qualify, and the auditor shall calculate the benefits under paragraph (a) or (b). Such amount, plus a penalty equal to 100 percent of that amount,

shall then be demanded of the building's owner. The property owner may appeal the county's determination by serving copies of a petition for review with county officials as provided in section 278.01 and filing a proof of service as provided in section 278.01 with the Minnesota Tax Court within 60 days of the date of the notice from the county. The appeal shall be governed by the Tax Court procedures provided in chapter 271, for cases relating to the tax laws as defined in section 271.01, subdivision 5; disregarding sections 273.125, subdivision 5, and 278.03, but including section 278.05, subdivision 2. If the amount of the benefits under paragraph (a) or (b) and penalty are not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of the benefit and penalty to the succeeding year's tax list to be collected as part of the property taxes on the affected property.

Sec. 4. Minnesota Statutes 2022, section 273.124, subdivision 3a, is amended to read:

Subd. 3a. **Manufactured home park cooperative.** (a) When a manufactured home park is owned by a corporation or association organized under chapter 308A ~~or~~, 308B, or 308C, and each person who owns a share or shares in the corporation or association is entitled to occupy a lot within the park, the corporation or association may claim homestead treatment for the park. Each lot must be designated by legal description or number, and each lot is limited to not more than one-half acre of land.

(b) The manufactured home park shall be entitled to homestead treatment if all of the following criteria are met:

(1) the occupant or the cooperative corporation or association is paying the ad valorem property taxes and any special assessments levied against the land and structure either directly, or indirectly through dues to the corporation or association; and

(2) the corporation or association organized under chapter 308A ~~or~~, 308B, or 308C is wholly owned by persons having a right to occupy a lot owned by the corporation or association.

(c) A charitable corporation, organized under the laws of Minnesota with no outstanding stock, and granted a ruling by the Internal Revenue Service for 501(c)(3) tax-exempt status, qualifies for homestead treatment with respect to a manufactured home park if its members hold residential participation warrants entitling them to occupy a lot in the manufactured home park.

(d) "Homestead treatment" under this subdivision means the classification rate provided for class 4c property classified under section 273.13, subdivision 25, paragraph (d), clause (5), item (ii), and the homestead market value exclusion under section 273.13, subdivision 35, does not apply.

Sec. 5. Minnesota Statutes 2023 Supplement, section 273.124, subdivision 6, is amended to read:

Subd. 6. **Leasehold cooperatives.** When one or more dwellings or one or more buildings which each contain several dwelling units is owned by a nonprofit corporation subject to the provisions of chapter 317A and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code, or a limited partnership which corporation or partnership operates the property in conjunction with a cooperative association, and has received public financing, homestead treatment may be claimed by the cooperative association on behalf of the members of the cooperative for each dwelling unit occupied by a member of the cooperative. The cooperative association must provide the assessor with the Social Security numbers or individual taxpayer identification numbers of those members. To qualify for the treatment provided by this subdivision, the following conditions must be met:

(a) the cooperative association must be organized under chapter 308A ~~or,~~ 308B, or 308C and all voting members of the board of directors must be resident tenants of the cooperative and must be elected by the resident tenants of the cooperative;

(b) the cooperative association must have a lease for occupancy of the property for a term of at least 20 years, which permits the cooperative association, while not in default on the lease, to participate materially in the management of the property, including material participation in establishing budgets, setting rent levels, and hiring and supervising a management agent;

(c) to the extent permitted under state or federal law, the cooperative association must have a right under a written agreement with the owner to purchase the property if the owner proposes to sell it; if the cooperative association does not purchase the property it is offered for sale, the owner may not subsequently sell the property to another purchaser at a price lower than the price at which it was offered for sale to the cooperative association unless the cooperative association approves the sale;

(d) a minimum of 40 percent of the cooperative association's members must have incomes at or less than 60 percent of area median gross income as determined by the United States Secretary of Housing and Urban Development under section 142(d)(2)(B) of the Internal Revenue Code. For purposes of this clause, "member income" means the income of a member existing at the time the member acquires cooperative membership;

(e) if a limited partnership owns the property, it must include as the managing general partner a nonprofit organization operating under the provisions of chapter 317A and qualifying under section 501(c)(3) or 501(c)(4) of the Internal Revenue Code and the limited partnership agreement must provide that the managing general partner have sufficient powers so that it materially participates in the management and control of the limited partnership;

(f) prior to becoming a member of a leasehold cooperative described in this subdivision, a person must have received notice that (1) describes leasehold cooperative property in plain language, including but not limited to the effects of classification under this subdivision on rents, property taxes and tax credits or refunds, and operating expenses, and (2) states that copies of the articles of incorporation and bylaws of the cooperative association, the lease between the owner and the cooperative association, a sample sublease between the cooperative association and a tenant, and, if the owner is a partnership, a copy of the limited partnership agreement, can be obtained upon written request at no charge from the owner, and the owner must send or deliver the materials within seven days after receiving any request;

(g) if a dwelling unit of a building was occupied on the 60th day prior to the date on which the unit became leasehold cooperative property described in this subdivision, the notice described in paragraph (f) must have been sent by first class mail to the occupant of the unit at least 60 days prior to the date on which the unit became leasehold cooperative property. For purposes of the notice under this paragraph, the copies of the documents referred to in paragraph (f) may be in proposed version, provided that any subsequent material alteration of those documents made after the occupant has requested a copy shall be disclosed to any occupant who has requested a copy of the document. Copies of the articles of incorporation and certificate of limited partnership shall be filed with the secretary of state after the expiration of the 60-day period unless the change to leasehold cooperative status does not proceed;

(h) the county attorney of the county in which the property is located must certify to the assessor that the property meets the requirements of this subdivision;

(i) the public financing received must be from at least one of the following sources:

(1) tax increment financing proceeds used for the acquisition or rehabilitation of the building or interest rate write-downs relating to the acquisition of the building;

(2) government issued bonds exempt from taxes under section 103 of the Internal Revenue Code, the proceeds of which are used for the acquisition or rehabilitation of the building;

(3) programs under section 221(d)(3), 202, or 236, of Title II of the National Housing Act;

(4) rental housing program funds under Section 8 of the United States Housing Act of 1937, as amended, or the market rate family graduated payment mortgage program funds administered by the Minnesota Housing Finance Agency that are used for the acquisition or rehabilitation of the building;

(5) low-income housing credit under section 42 of the Internal Revenue Code;

(6) public financing provided by a local government used for the acquisition or rehabilitation of the building, including grants or loans from (i) federal community development block grants; (ii) HOME block grants; or (iii) residential rental bonds issued under chapter 474A; or

(7) other rental housing program funds provided by the Minnesota Housing Finance Agency for the acquisition or rehabilitation of the building;

(j) at the time of the initial request for homestead classification or of any transfer of ownership of the property, the governing body of the municipality in which the property is located must hold a public hearing and make the following findings:

(1) that the granting of the homestead treatment of the apartment's units will facilitate safe, clean, affordable housing for the cooperative members that would otherwise not be available absent the homestead designation;

(2) that the owner has presented information satisfactory to the governing body showing that the savings garnered from the homestead designation of the units will be used to reduce tenant's rents or provide a level of furnishing or maintenance not possible absent the designation; and

(3) that the requirements of paragraphs (b), (d), and (i) have been met.

Homestead treatment must be afforded to units occupied by members of the cooperative association and the units must be assessed as provided in subdivision 3, provided that any unit not so occupied shall be classified and assessed pursuant to the appropriate class. No more than three acres of land may, for assessment purposes, be included with each dwelling unit that qualifies for homestead treatment under this subdivision.

When dwelling units no longer qualify under this subdivision, the current owner must notify the assessor within 60 days. Failure to notify the assessor within 60 days shall result in the loss of benefits under this subdivision for taxes payable in the year that the failure is discovered. For these purposes, "benefits under this subdivision" means the difference in the net tax capacity of the units which no longer qualify as computed under this subdivision and as computed under the otherwise applicable law, times the local tax rate applicable to the building for that taxes payable year. Upon discovery of a failure to notify, the assessor shall inform the auditor of the difference in net tax capacity for the building or buildings in which units no longer qualify, and the auditor shall calculate the benefits under this subdivision. Such amount, plus a penalty equal to 100 percent of that amount, shall then be demanded of the building's owner. The property owner may appeal the county's determination by serving copies of a petition for review with county officials as provided in section 278.01 and filing a proof of service as provided in section 278.01 with the Minnesota Tax Court within 60 days of the date of the notice from the county. The appeal shall be governed by the Tax Court procedures

provided in chapter 271, for cases relating to the tax laws as defined in section 271.01, subdivision 5; disregarding sections 273.125, subdivision 5, and 278.03, but including section 278.05, subdivision 2. If the amount of the benefits under this subdivision and penalty are not paid within 60 days, and if no appeal has been filed, the county auditor shall certify the amount of the benefit and penalty to the succeeding year's tax list to be collected as part of the property taxes on the affected buildings.

Sec. 6. Minnesota Statutes 2023 Supplement, section 290.0694, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** (a) For purposes of this section, the following definitions have the meanings given.

(b) "Qualified property" means a manufactured home park in Minnesota classified as 4c(5)(i) or 4c(5)(iii) under section 273.13, subdivision 25, paragraph (d).

(c) "Qualified seller" means a taxpayer, as defined under section 290.01, subdivision 6, who sells qualified property to: (1) a corporation or association organized under chapter 308A ~~or,~~ 308B, or 308C, where each person who owns a share or shares in the corporation or association would be entitled to occupy a lot within the qualified property after the sale; (2) a charitable corporation, organized under the laws of Minnesota with no outstanding stock, and granted a ruling by the Internal Revenue Service for 501(c)(3) tax-exempt status, whose members hold residential participation warrants entitling the members to occupy the units in the manufactured home park; or (3) a nonprofit or a representative acting on behalf of residents, as defined by section 327C.015, subdivision 13, who purchases the property on behalf of residents who intend to form a corporation or association as described in clause (1) or (2).

Sec. 7. Minnesota Statutes 2022, section 290.0922, subdivision 2, is amended to read:

Subd. 2. **Exemptions.** The following entities are exempt from the tax imposed by this section:

(1) corporations exempt from tax under section 290.05;

(2) real estate investment trusts;

(3) regulated investment companies or a fund thereof;

(4) entities having a valid election in effect under section 860D(b) of the Internal Revenue Code;

(5) township mutual insurance companies;

(6) cooperatives organized under chapter 308A ~~or,~~ 308B, or 308C that provide housing exclusively to persons age 55 and over and are classified as homesteads under section 273.124, subdivision 3; and

(7) a qualified business as defined under section 469.310, subdivision 11, if for the taxable year all of its property is located in a job opportunity building zone designated under section 469.314 and all of its payroll is a job opportunity building zone payroll under section 469.310.

Entities not specifically exempted by this subdivision are subject to tax under this section, notwithstanding section 290.05.

Sec. 8. Minnesota Statutes 2023 Supplement, section 290A.03, subdivision 16, is amended to read:

Subd. 16. **Manufactured home.** "Manufactured home" means homesteads that are manufactured homes as defined in section 273.125, subdivision 8, including manufactured homes located in a manufactured

home community owned by a cooperative organized under chapter 308A ~~or,~~ 308B, or 308C, and park trailers taxed as manufactured homes under section 168.012, subdivision 9.

Sec. 9. Minnesota Statutes 2022, section 327C.095, subdivision 5, is amended to read:

Subd. 5. **Park conversions.** If the planned cessation of operation is for the purpose of converting the part of the park occupied by the resident to a common interest community pursuant to chapter 515B, the provisions of section 515B.4-111, except subsection (a), shall apply. The nine-month notice required by this section shall state that the cessation is for the purpose of conversion and shall set forth the rights conferred by this subdivision and section 515B.4-111, subsection (b). Not less than 120 days before the end of the nine months, the park owner shall serve upon the resident a form of purchase agreement setting forth the terms of sale contemplated by section 515B.4-111, subsection (d). Service of that form shall operate as the notice described by section 515B.4-111, subsection (a). This subdivision does not apply to the conversion of a manufactured home park to a common interest community:

(1) that is a cooperative incorporated under chapter 308A ~~or,~~ 308B, or 308C;

(2) in which at least 90 percent of the cooperative's members are residents of the park at the time of the conversion; and

(3) that does not require persons who are residents of the park at the time of the conversion to become members of the cooperative.

Sec. 10. Minnesota Statutes 2023 Supplement, section 462A.38, subdivision 1, is amended to read:

Subdivision 1. **Establishment.** A workforce and affordable homeownership development program is established to award homeownership development grants and loans to cities, counties, Tribal governments, nonprofit organizations, cooperatives created under chapter 308A ~~or,~~ 308B, or 308C, and community land trusts created for the purposes outlined in section 462A.31, subdivision 1, for development of workforce and affordable homeownership projects. The purpose of the program is to increase the supply of workforce and affordable, owner-occupied multifamily or single-family housing throughout Minnesota.

Sec. 11. Minnesota Statutes 2022, section 515B.3-101, is amended to read:

515B.3-101 ORGANIZATION OF UNIT OWNERS' ASSOCIATION.

A common interest community shall be administered by an association. The association shall be incorporated no later than the date the common interest community is created. The membership of the association at all times consists exclusively of all unit owners or, following termination of the common interest community, of all former unit owners entitled to distributions of proceeds under section 515B.2-119 or their heirs, successors, or assigns. The association shall be organized as a Minnesota profit or nonprofit corporation, or may, in the case of a cooperative, be organized under chapter 308A ~~or,~~ 308B, or 308C. In the event of a conflict between this chapter and any other chapter under which the association is incorporated, this chapter shall control.

Sec. 12. Minnesota Statutes 2022, section 515B.3-103, is amended to read:

515B.3-103 BOARD OF DIRECTORS, OFFICERS AND DECLARANT CONTROL.

(a) An association shall be governed by a board of directors whose appointment or election shall occur no later than the date of creation of the common interest community and shall be reflected in the association's

records. Except as expressly prohibited by the declaration, the articles of incorporation, bylaws, subsection (b), or other provisions of this chapter, the board may act in all instances on behalf of the association. In the performance of their duties, the officers and directors are required to exercise (i) if appointed by the declarant, the care required of fiduciaries of the unit owners and (ii) if elected by the unit owners, the care required of a director by section 302A.251, 308B.455, 308C.455, or 317A.251, as applicable. The officers and directors appointed by the declarant shall have a duty to fulfill, and to cause the association to fulfill, their respective obligations under the declaration, bylaws, articles of incorporation, and this chapter and to enforce the provisions of the declaration, bylaws, articles of incorporation, and this chapter against all unit owners, including the declarant and its affiliates, in a uniform and fair manner. The standards of conduct for officers and directors set forth in this subsection shall also apply to the officers and directors of master associations in the exercise of their duties on behalf of the master association.

(b) The board may not act unilaterally to amend the declaration, to terminate the common interest community, to elect directors to the board, or to determine the qualifications, powers and duties, or terms of office of directors, but the board may fill vacancies in its membership created other than by removal by the vote of the association members for the unexpired portion of any term.

(c) The declaration may provide for a period of declarant control of the association, during which a declarant, or persons designated by the declarant, may appoint and remove the officers and directors of the association. The period of declarant control begins on the date of creation of the common interest community and terminates upon the earliest of the following events: (i) five years after the date of the first conveyance of a unit to a unit owner other than a declarant in the case of a flexible common interest community or three years in the case of any other common interest community, (ii) the declarant's voluntary surrender of control by giving written notice to the unit owners pursuant to section 515B.1-115, or (iii) the conveyance of 75 percent of the units to unit owners other than a declarant.

(d) The board shall cause a meeting of the unit owners to be called, as follows:

(1) If the period of declarant control has terminated pursuant to subsection (c), a meeting of the unit owners shall be called and held within 60 days after said termination, at which the board shall be appointed or elected by all unit owners, including declarant, subject to the requirements of subsection (e).

(2) If 50 percent of the units that a declarant is authorized by the declaration to create have been conveyed prior to the termination of the declarant control period, a meeting of the unit owners shall be called and held within 60 days thereafter, at which not less than 33-1/3 percent of the members of the board shall be elected by unit owners other than a declarant or an affiliate of a declarant.

(3) If the board fails or refuses to cause a meeting of the unit owners required to be called pursuant to subsection (d), then the unit owners other than a declarant and its affiliates may cause the meeting to be called pursuant to the applicable provisions of the law under which the association was created. The declarant and its affiliates shall be deemed to be present at the meeting for purposes of establishing a quorum regardless of their failure to attend the meeting.

(e) Following the termination of any period of declarant control, the unit owners shall appoint or elect the board. All unit owners, including the declarant and its affiliates, may cast the votes allocated to any units owned by them. The board shall thereafter be subject to the following:

(1) Unless otherwise approved by a vote of unit owners other than the declarant or an affiliate of the declarant, a majority of the directors shall be unit owners or a natural person designated by a unit owner that is not a natural person, other than a declarant or an affiliate of a declarant. The remaining directors need not be unit owners unless required by the articles of incorporation or bylaws.

(2) Subject to the requirements of subsection (e)(1), the articles of incorporation or bylaws may authorize the declarant or a person designated by the declarant to appoint one director, who need not be a member. The articles of incorporation or bylaws shall not be amended to change or terminate the authorization to appoint one director without the written consent of the declarant or other person possessing the power to appoint.

(3) Subject to the requirements of subsection (e)(1), the articles of incorporation or bylaws may authorize special classes of directors and director voting rights, as follows: (i) classes of directors, (ii) the appointment or election of directors in certain classes by certain classes of members, or (iii) class voting by classes of directors on issues affecting only a certain class or classes of members, units, or other parcels of real estate, or to otherwise protect the legitimate interest of such class or classes. No person may utilize such special classes or class voting for the purpose of evading any limitation imposed on declarants by this chapter.

(4) The board shall elect the officers. The directors and officers shall take office upon election.

(f) In determining whether the period of declarant control has terminated under subsection (c), or whether unit owners other than a declarant are entitled to elect members of the board of directors under subsection (d), the percentage of the units conveyed shall be calculated using as a numerator the number of units conveyed and as a denominator the number of units subject to the declaration plus the number of units which the declarant is authorized by the declaration to create on any additional real estate. The percentages referred to in subsections (c) and (d) shall be calculated without reference to units that are auxiliary to other units, such as garage units or storage units. A person shall not use a master association or other device to evade the requirements of this section.

(g) Except as otherwise provided in this subsection, meetings of the board of directors must be open to the unit owners. To the extent practicable, the board shall give reasonable notice to the unit owners of the date, time, and place of a board meeting. If the date, time, and place of meetings are provided for in the declaration, articles, or bylaws, announced at a previous meeting of the board, posted in a location accessible to the unit owners and designated by the board from time to time, or if an emergency requires immediate consideration of a matter by the board, notice is not required. "Notice" has the meaning given in section 317A.011, subdivision 14. Meetings may be closed to discuss the following:

(1) personnel matters;

(2) pending or potential litigation, arbitration or other potentially adversarial proceedings, between unit owners, between the board or association and unit owners, or other matters in which any unit owner may have an adversarial interest, if the board determines that closing the meeting is necessary to discuss strategy or to otherwise protect the position of the board or association or the privacy of a unit owner or occupant of a unit; or

(3) criminal activity arising within the common interest community if the board determines that closing the meeting is necessary to protect the privacy of the victim or that opening the meeting would jeopardize investigation of the activity.

Nothing in this subsection imposes a duty on the board to provide special facilities for meetings. The failure to give notice as required by this subsection shall not invalidate the board meeting or any action taken at the meeting. The minutes of any part of a meeting that is closed under this subsection may be kept confidential at the discretion of the board.

Sec. 13. **EFFECTIVE DATE.**

This article is effective August 1, 2025.

Presented to the governor May 14, 2024