



**Substitute Senate Bill No. 138**

**Public Act No. 19-65**

**AN ACT MODERNIZING THE STATE'S COOPERATIVE ASSOCIATION STATUTES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Section 33-183 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2019*):

[Seven] Three or more persons of lawful age [,] and inhabitants of this state, may, by written articles of [agreement] association, associate themselves together for the purposes of trade or for carrying on any lawful mercantile, mechanical, manufacturing or agricultural business within this state, and, when such articles of association have been executed and filed in the office of the Secretary of the State, the franchise tax provided by section 33-187, as amended by this act, paid to, and such articles of association approved by, said secretary, such persons shall become a corporation and enjoy all the powers and privileges and be subject to all the duties, restrictions and liabilities of other corporations, except so far as [the same] such duties, restrictions and liabilities may be limited or enlarged by this chapter.

Sec. 2. Section 33-184 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2019*):

The objects for which such association is established, and the place

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within which its business is to be carried on, shall be distinctly set forth in its articles of [agreement] association, and it shall not do business in any other place or places than those mentioned in its articles.

Sec. 3. Section 33-185 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

[The] (a) Prior to October 1, 2019, the business of the association shall be managed by not fewer than seven members, who shall be styled a board of managers, shall be chosen annually by the stockholders and shall hold their offices until others are chosen and have qualified in their stead, except that when the bylaws of such association so prescribe, the board of managers may be divided into not more than three classes, each class to hold office for not more than three years, one of which classes shall be elected annually. Such association shall have such other officers appointed as its bylaws prescribe. The terms of the members of the board serving on the effective date of this section shall expire on September 30, 2019.

(b) On and after October 1, 2019, the business of the association shall be managed by a board of directors consisting of not fewer than three members of the association. The board of directors shall be elected annually by the member shareholders and shall hold office until a successor has been elected, except, when the bylaws of such association so prescribe, the board of directors may be divided into not more than three classes, one of which classes shall be elected annually, with each class to hold office for not more than six years. Such association may adopt bylaws concerning the appointment of other officers of the association and to implement the provisions of this section.

Sec. 4. Section 33-187 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2019*):

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The amount of capital stock of any cooperative association organized under the provisions of this chapter shall be fixed by its articles of association at a sum not exceeding [five] fifty million dollars par value, and shall be subject to the same franchise tax as the capital stock of other corporations organized under the general [law] laws, which tax shall be paid to the Secretary of the State. The association may increase or diminish the amount and number of shares of such stock at any meeting of the [stockholders] member shareholders specially called for such purpose, but no shares shall be issued at less than their par value. [Within] Not later than five days after the passage of any vote increasing or diminishing such stock, such association shall cause a certificate setting forth such vote, signed by a majority of the board of [managers] directors, to be recorded in the office of the Secretary of the State.

Sec. 5. Section 33-188 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2019*):

Not later than thirty days after the first meeting of the association, the board of [managers] directors shall prepare a report, setting forth the name of the association, the principal office of the association, the names of the respective business and residence addresses of the board of [managers] directors and officers of the association, the amount of capital stock, the par value of the shares, and the number of shares issued, together with a statement that such shares are fully paid or, if not fully paid, a statement of the amount payable in respect thereof, which report shall be filed and recorded in the office of the Secretary of the State. On or before the tenth day of March [in each year] annually thereafter, the board of [managers] directors shall prepare a [like] report of the [same] facts as they existed on the first day of [such] March and [the same] such report shall be filed and recorded in the office of the Secretary of the State. [All the statements] Any statement provided for in this section shall be signed and sworn to by a majority

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of the board of [managers] directors.

Sec. 6. Section 33-191 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2019*):

No certificate of shares shall be issued to any person until the full amount thereof has been paid in cash, and no shareholder shall receive less than the par value of any share when disposing of the same to the board of [managers] directors. No person shall be allowed to become a shareholder in such association except by the consent of the [managers] directors.

Sec. 7. Section 33-192 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2019*):

[If the board of managers fails to make any return required by this chapter or makes an untrue return, the members thereof shall be jointly and severally liable for all debts existing at the date of such return or at the time when the return should have been made, and such association shall forfeit to the state fifty dollars for each failure.] If the association fails to file the annual report required by section 33-188, as amended by this act, or makes an untrue report, the association shall pay to the Secretary of the State fifty dollars for each such failure.

Sec. 8. Section 33-193 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2019*):

There shall be [such] a distribution of the profits or [earnings] surplus of [such] an association among the member shareholders as is prescribed by the association's bylaws. [ provided no distribution shall be declared or paid until a sum equal to ten per cent of the net profits is appropriated for a contingent or sinking fund and until there has been thereby accumulated a sum equal to twenty per cent of the capital stock.] The board of directors of an association may declare a sum of not more than forty per cent of the net profits or surplus to be

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appropriated for a contingent or sinking fund, an unallocated reserve fund or a collective account as may be prescribed in the association's bylaws.

Approved June 26, 2019