O F F I C E O F L E G I S L A T I V E R E S E A R C H
P U B L I C A C T S U M M A R Y

PA 26-59—sHB 5431
Judiciary Committee

AN ACT CONCERNING COOPERATIVE CORPORATIONS

SUMMARY: This act revises the laws on cooperative associations ("co-ops"), including their organization and governance. Principally, the act:

1. refers to co-ops as cooperative corporations rather than cooperative associations and requires them to file a certificate of incorporation, rather than articles of association, with the secretary of the state to organize;
2. gives co-ops more flexibility in staggering the terms of their governing board members;
3. changes the requirements for calling a co-op's organizational meeting;
4. requires co-op bylaws to set out members' rights and qualifications; and
5. sets specific quorum requirements for voting and parameters for how actions may be taken without a meeting by written unanimous consent or by ballot.

The act makes minor and conforming changes throughout the co-op laws. It also repeals provisions that (1) capped a co-op's capital stock at $50 million par value, (2) subjected them to the same franchise tax as other corporations, (3) required co-ops to file annual reports with the secretary of the state's office, and (4) set a $50 penalty for failing to file an annual report.
EFFECTIVE DATE: October 1, 2026

CO-OP ORGANIZATION

Under prior law, three or more adult Connecticut residents could organize a co-op for trade or any lawful mercantile, mechanical, manufacturing, or agricultural business in the state. The act no longer requires them to be Connecticut residents or limits them to doing business in the state. It also requires them to file a certificate of incorporation with the secretary of the state, rather than written articles of association, to organize a co-op. As under prior law for cooperative associations, cooperative corporations have the same powers and privileges and are subject to the same duties, restrictions, and liabilities as other corporations.

The act requires co-ops to distinctly state in their bylaws and certificate of incorporation, rather than their articles of association, the purpose for which they were established and where they will do business.

BOARD OF DIRECTORS

By law, a co-op is governed by a board of directors consisting of at least three of its members. Board members are generally elected annually and hold office until a successor is elected. Under prior law, the co-op's bylaws could require that the members' terms be staggered by dividing them into up to three classes, with annual elections and terms of up to six years.

The act instead allows the bylaws to provide for staggered terms by dividing the members into up to five groups, with an equal number of members in each group (or as near equal as possible). Under the act, the first group's term expires at the first annual meeting after being elected, the second group's term expires at the second annual meeting, and any additional groups' terms expire at the third, fourth, and fifth annual meetings, as applicable. After that, members serve terms of two to five years, depending on the length of the term of the person they are succeeding.

ORGANIZATIONAL MEETING

The act requires a majority of a co-op's incorporators to call an organizational meeting to either elect (1) directors and complete the corporation's organization or (2) a board of directors to do so. The act specifies that these actions may be taken without a meeting if the actions are evidenced by one or more written consents that describe the action taken and are signed by each incorporator.

This replaces prior law's provisions that generally required co-op members to call the organizational meeting by publishing notice in certain newspapers at least 15 days before the meeting.

BYLAWS

The act expressly requires co-op bylaws to state members' rights and qualifications, which must include holdings or subscribing for at least one share of capital stock. If the bylaws do not provide for members, the shareholders are the members and exercise the shareholders' rights, unless the co-op's certificate of incorporation says otherwise for classes or series of stock.

QUORUM AND VOTING REQUIREMENTS

Under the act, voting members may act on a matter at a meeting only if there is a quorum of members present who are entitled to vote on it. Unless the certificate of incorporation or bylaws say otherwise, the following apply when establishing a quorum for voting at a meeting:

1. if there are no members entitled to vote as a separate voting group, the members entitled to vote on the matter who are present at the meeting (in person or by proxy) constitute a quorum for action on the matter;
2. if there are members entitled to vote on a matter as a separate voting group, these members may act on the matter only if a quorum of that voting group exists for that matter; and
3. the members of a voting group entitled to vote on the matter who are present at the meeting, either in person or by proxy, constitute a quorum of that voting group for action on that matter.

Under the act, unless otherwise provided in the certificate of incorporation or bylaws, directors are elected by a plurality of the votes cast by the members in the election at a meeting at which a quorum is present.

By law, unchanged by the act, members may only be entitled to one vote per subject at any meeting.

ACTIONS WITHOUT MEETINGS

Approval by Unanimous Written Consent

The act allows any action that, by law, may be taken at a meeting to be taken without a meeting if (1) one or more written consents are put forward with the action taken or to be taken and (2) the consents are signed by all members who would be entitled to vote on the action at a meeting, or their authorized attorneys (unanimous written consents). The secretary must file with the members' meeting minutes (1) the consent (or consents) or (2) a certification of the consent's tabulation. Under the act, a unanimous written consent has the same force and effect as a vote of the members at a meeting and may be stated as such in any certificate or document filed under the state's business corporation and co-op laws.

Approval by Ballot

Under the act, the certificate of incorporation or bylaws may additionally allow any action that may be taken at any meeting of members to be taken without a meeting if the corporation delivers notice with a ballot to every member entitled to vote on the matter. The ballot must be in writing, specify each proposed action, and offer an opportunity to (1) vote, or withhold a vote, for each candidate for election as a director, if any, and (2) vote for or against other proposed actions. Additionally, a ballot may not be revoked unless the certificate of incorporation or the bylaws provides otherwise.

Except for electing directors, approval by ballot is valid only when the number of (1) votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action and (2) approvals equal or exceed the number that would be required at a meeting where the same total number of votes were cast.

Signed ballots have the same force and effect as a vote of the members who signed them at a duly held meeting and may be stated as such in any certificate or document filed under the state's business corporation and co-op laws.

The act specifies that any solicitation for votes by ballot must state the:

1. number of responses needed to meet the quorum requirements,
2. percentage of approvals needed for the matter (other than for an election of directors) to pass, and
3. time by which the corporation must receive a ballot for it to be counted.

Record Date

Unless otherwise set by the laws that govern business corporations' shares and shareholders, the record date for determining the members entitled to act without a meeting is the date the (1) first member signs the unanimous written consent (see above) or (2) corporation delivers the written notice with the proposed actions and the ballot.