



Sen. Laura M. Murphy

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10200HB3577sam001

LRB102 13245 KTG 25971 a

1 AMENDMENT TO HOUSE BILL 3577

2 AMENDMENT NO. _____. Amend House Bill 3577 on page 1, by
3 replacing lines 5 and 6 with the following:

4 "is amended by changing Sections 5, 10, 15, 20, 25, 30, 35, 40,
5 45, 50, 55, 60, 65, and 70 and adding Sections 12, 16, 21, 22,
6 36, 37, 51, 52, 61, 62, and 63 as follows:

7 (805 ILCS 317/5)

8 Sec. 5. Findings. The General Assembly finds and declares
9 all of the following:

10 (1) the cooperative form of doing business provides an
11 efficient and effective method for persons to transact
12 business, offer, and obtain goods and services, and it is
13 in the best interests of the people of the State of
14 Illinois to promote, foster, and encourage the utilization
15 of cooperatives in appropriate instances;

16 (2) the Co-operative Act and Agricultural Co-Operative
17 Act have provided for the promotion, fostering, and

1 encouragement of consumer and producer cooperatives; have
2 made distribution of agricultural products between
3 producer and consumer more efficient; have stabilized the
4 marketing of agricultural products; and have provided for
5 the organization and incorporation of cooperative
6 corporations, all as contemplated at the time of the
7 original adoption;

8 (3) it is in the best interests of the people of the
9 State of Illinois to preserve the provisions of the
10 Co-operative Act as it has been in force and interpreted
11 in the State and to continue the provisions thereof ~~for~~
12 ~~agriculture~~, but also to expand the provisions of Illinois
13 cooperative law to provide greater direction and
14 flexibility in its provisions and to enable all types of
15 industries and enterprises to avail themselves of the
16 benefits of the worker cooperative form of doing business
17 in accordance with the provisions of this Act;

18 (4) a worker cooperative has the purpose of creating
19 and maintaining sustainable jobs and generating wealth in
20 order to improve the quality of life and economic security
21 of its worker-members, dignify human work, allow workers'
22 democratic self-management, and promote community and
23 local development in this State;

24 (5) the purpose of this Act is to create a new business
25 entity better suited for worker cooperatives and
26 multi-stakeholder cooperatives, and to create more

1 visibility and financing options for cooperatives. This
2 Act is intended to provide a definition of worker
3 cooperative for purposes of this Act, and not for purposes
4 of other laws.

5 (Source: P.A. 101-292, eff. 1-1-20.)

6 (805 ILCS 317/10)

7 Sec. 10. Definitions. In this Act:

8 "Candidate" means a worker who is being considered for
9 membership in a worker cooperative, as defined in the
10 cooperative association's articles or cooperative agreement
11 ~~bylaws~~.

12 "Collective worker cooperative" means a limited worker
13 cooperative association that only has one class of members
14 consisting of worker-members who manage all of the affairs of
15 the limited cooperative association. If an association's
16 articles of organization or cooperative agreement provides
17 that it is a collective worker cooperative, then all of the
18 members shall be deemed managers.

19 ~~"Community investor" means a person who is not a member~~
20 ~~and who holds a share or other proprietary interest in a~~
21 ~~limited cooperative association.~~

22 "Distribution" means a transfer of money or other property
23 from a limited worker cooperative association to a member
24 because of the member's financial rights or to a transferee of
25 a member's financial rights.

1 "Investor member" means a person who holds a financial
2 interest in a limited worker cooperative association. An
3 investor member is either not required or not permitted by the
4 articles or cooperative agreement to conduct patronage with
5 the association in the member's capacity as an investor member
6 in order to receive or retain the member's interest.

7 "Limited worker cooperative association" or "association"
8 means an association organized under this Act.

9 "Member" means any person who, pursuant to a specific
10 provision of a limited worker cooperative association's
11 articles or cooperative agreement ~~bylaws~~, has the right to
12 vote for the election of a manager ~~director~~ or managing member
13 ~~directors~~, or possesses any proprietary interests in the
14 limited worker cooperative association.

15 ~~"Multi stakeholder cooperative" means a cooperative~~
16 ~~organized under this Act that has different classes of members~~
17 ~~whose rights and proprietary interests shall be determined by~~
18 ~~the articles or bylaws. At least 51% of the members shall be~~
19 ~~worker members or candidates. A multi stakeholder cooperative~~
20 ~~is a worker cooperative for purposes of this Act.~~

21 "Patron member" means a member of a limited worker
22 cooperative association that is required or permitted by the
23 association's articles or cooperative agreement to conduct
24 patronage with an association in the member's capacity as a
25 patron member.

26 "Patronage" means business transactions between a limited

1 worker cooperative association and a person that entitles the
2 person to receive financial rights based on the value or
3 quantity of business done between the association and the
4 person. The patronage of worker-members may be measured by
5 work performed, including, but not limited to, wages earned,
6 number of hours worked, number of jobs created, or some
7 combination of these measures.

8 "Worker cooperative" means a limited worker cooperative
9 association formed under this Act where all patron members of
10 an association that includes a class of worker-members who are
11 natural persons whose patronage consists of labor contributed
12 to or other work performed for the limited worker cooperative
13 association. ~~Election to be organized as a worker cooperative~~
14 ~~does not create a presumption that workers are employees of~~
15 ~~the corporation for any purposes. A worker cooperative formed~~
16 ~~under this Act may include additional classes of members whose~~
17 ~~rights and proprietary interests shall be determined by the~~
18 ~~articles or bylaws. At least 51% of the workers shall be~~
19 ~~worker members or candidates.~~

20 "Worker" means a natural person contributing labor or
21 services to a worker cooperative.

22 "Worker-member" means a ~~member of a worker cooperative who~~
23 ~~is a~~ natural person who is a member of an association formed
24 under this Act whose patronage consists of labor contributed
25 to or other work performed for the limited ~~and also a patron of~~
26 ~~a~~ worker cooperative association.

1 "Written notice of allocation" is defined as in 26 U.S.C.
2 1388 or its successor.

3 (Source: P.A. 101-292, eff. 1-1-20.); and

4 on page 1, by inserting immediately below line 19 the
5 following:

6 "(805 ILCS 317/15)

7 Sec. 15. Purpose of limited worker cooperative
8 association.

9 (a) A limited worker cooperative association is an entity
10 distinct from its members.

11 (b) A limited worker cooperative association may be
12 organized for any lawful purpose, whether or not for profit.

13 (c) An association organized as a worker cooperative under
14 this Act ~~elects to be a worker cooperative with the State of~~
15 ~~Illinois. Election to be organized as a worker cooperative~~
16 does not create a presumption that workers are employees of
17 the association ~~corporation~~ for any purposes.

18 (Source: P.A. 101-292, eff. 1-1-20.); and

19 on page 2, by inserting immediately below line 6 the
20 following:

21 "(805 ILCS 317/20)

22 Sec. 20. Formation of limited worker cooperative

1 association.

2 (a) A limited worker cooperative association must be
3 organized by one or more organizers. Organizers need not be
4 members ~~or worker members~~ of the worker cooperative
5 association.

6 (b) To form a limited worker cooperative association, one
7 or more organizers of the association shall deliver or cause
8 to be delivered articles of organization to the Secretary of
9 State for filing.

10 (Source: P.A. 101-292, eff. 1-1-20.); and

11 on page 7, by replacing lines 13 through 26 with the following:

12 "(5.5) a statement that the association is a worker
13 cooperative or a collective worker cooperative, if
14 applicable; and

15 (6) any other provision, not inconsistent with law,
16 ~~that the worker members, members, or organizers elect to~~
17 ~~set out in the articles~~ for the regulation of the internal
18 affairs of the limited worker cooperative association,
19 including any provisions that, under this Act, are
20 required or permitted to be set out in the cooperative
21 agreement ~~bylaws~~ of the limited worker cooperative
22 association."; and

23 on page 8, by deleting line 1; and

1 on page 8, by inserting immediately below line 2 the
2 following:

3 "(805 ILCS 317/30)

4 Sec. 30. Organization of limited worker cooperative
5 association.

6 (a) After a limited worker cooperative association is
7 formed:

8 (1) if initial managers or managing members ~~directors~~
9 are named in the articles, the initial managers or
10 managing members ~~directors~~ shall hold an organizational
11 meeting to adopt initial cooperative agreement ~~bylaws~~ and
12 carry on any other business necessary or proper to
13 complete the organization of the association; or

14 (2) if initial managers or managing members ~~directors~~
15 are not named in the articles, the organizers shall
16 designate the initial managers or managing members
17 ~~directors~~ and call a meeting of the initial managers or
18 managing members ~~directors~~ to adopt initial cooperative
19 agreement ~~bylaws~~ and carry on any other business necessary
20 or proper to complete the organization of the association.

21 (b) Unless the articles otherwise provide, the initial
22 managers or managing members ~~directors~~ may cause the limited
23 worker cooperative association to accept members, including
24 those necessary for the association to begin business.

25 (c) Initial managers ~~directors~~ need not be members.

1 (d) An initial manager or managing member ~~director~~ serves
2 until a successor is elected and qualified at a members'
3 meeting or the manager or managing member ~~director~~ is removed,
4 resigns, is adjudged incompetent, or dies.

5 (Source: P.A. 101-292, eff. 1-1-20.); and

6 on page 15, line 10, by changing "\$150" to "\$100"; and

7 on page 15, line 11, by changing "\$50" to "\$25"; and

8 on page 15, line 17, by changing "\$25" to "\$5"; and

9 on page 15, line 21, by changing "\$75" to "\$50"; and

10 on page 15, line 24, by changing "\$200" to "\$75"; and

11 on page 15, line 25, by changing "\$100 plus \$50" to "\$75 plus
12 \$25"; and

13 on page 16, line 5, by changing "\$50" to "\$25"; and

14 on page 16, line 7, by changing "\$10" to "\$5"; and

15 on page 16, by inserting immediately below line 11 the
16 following:

1 "(805 ILCS 317/40)

2 Sec. 40. Members.

3 (a) An association formed under this Act may include
4 multiple classes of patron members whose rights and
5 proprietary interests shall be determined by the articles or
6 cooperative agreement.

7 (b) ~~(a)~~ To begin business, a limited worker cooperative
8 association must have at least 3 members unless the sole
9 member is a cooperative.

10 (c) ~~(b)~~ A person becomes a member:

11 (1) as provided in the articles or cooperative
12 agreement ~~bylaws~~;

13 (2) as the result of a merger or conversion under
14 Section 65; or

15 (3) with the consent of all the members.

16 (d) ~~(c)~~ A member, solely by reason of being a member, may
17 not act for or bind the limited worker cooperative
18 association.

19 (e) ~~(d)~~ Unless the articles provide otherwise, a debt,
20 obligation, or other liability of a limited worker cooperative
21 association is solely that of the association and is not the
22 debt, obligation, or liability of a member solely by reason of
23 being a member.

24 (f) ~~(e)~~ The total voting membership body shall constitute
25 the assembly of the limited worker cooperative association.

26 (g) ~~(f)~~ The assembly shall meet annually at a time

1 provided in the articles or cooperative agreement ~~bylaws~~ or
2 set by the board of managers or managing members ~~directors~~ not
3 inconsistent with the articles and cooperative agreement
4 ~~bylaws~~.

5 (h) ~~(g)~~ Failure to hold an annual assembly meeting does
6 not affect the validity of any action by the limited worker
7 cooperative association.

8 (i) ~~(h)~~ A limited worker cooperative association shall
9 notify each member of the time, date, and place of a members'
10 meeting at least 10 and not more than 60 days before the
11 meeting; except that, if the notice is of a meeting of the
12 members in one or more districts or classes of members, the
13 notice shall be given only to members in those districts or
14 classes.

15 (Source: P.A. 101-292, eff. 1-1-20.)

16 (805 ILCS 317/45)

17 Sec. 45. Voting.

18 (a) The articles or cooperative agreement ~~bylaws~~ may
19 allocate voting power among patron members on the basis of one
20 or a combination of the following:

21 (1) one member, one vote;

22 (2) if a member is a cooperative, the number of its
23 members; or

24 (3) on the basis of use or patronage unless the
25 association is ~~cooperative has elected to be~~ a worker

1 cooperative.

2 (b) If the articles or cooperative agreement ~~bylaws~~
3 allocate voting power to patron members on the basis of use or
4 patronage and a patron member would be denied a vote because
5 the patron member did not ~~use the limited cooperative~~
6 ~~association or~~ conduct patronage with the association ~~it~~
7 during the period on which the allocation of voting power is
8 determined, the articles or cooperative agreement ~~bylaws~~ must
9 provide that the patron member shall nevertheless be allocated
10 a vote equal to at least the minimum voting power allocated to
11 patron members who ~~used the association or~~ conducted patronage
12 with the association ~~it~~ during the period.

13 (c) The articles or cooperative agreement ~~bylaws~~ may
14 provide for the allocation of member voting power by districts
15 or class or any combination thereof.

16 (d) The voting power of members who are not patron members
17 may be limited or eliminated. ~~Community investors are not~~
18 ~~entitled to vote unless the articles or bylaws provide~~
19 ~~otherwise.~~

20 (e) At no time shall worker-members ~~the members~~ have less
21 than a majority of the total voting power of a ~~the~~ limited
22 worker cooperative association.

23 (Source: P.A. 101-292, eff. 1-1-20.)

24 (805 ILCS 317/50)

25 Sec. 50. Board of managers or managing members ~~directors~~.

1 (a) A limited worker cooperative association must have a
2 board of managers or managing members ~~directors~~ of at least 3
3 individuals, unless the limited worker cooperative association
4 is a collective worker cooperative. Subsections (b) through
5 (e) do not apply to collective worker cooperatives.

6 (b) The affairs of a limited worker cooperative
7 association must be managed by, or under the direction of, the
8 board of managers or managing members ~~directors~~ unless the
9 board delegates those duties to the assembly of the worker
10 limited cooperative association. The board may adopt policies
11 and procedures that do not conflict with the articles,
12 cooperative agreement ~~bylaws~~, or this Act.

13 (c) An individual is not an agent for a limited worker
14 cooperative association solely by being a manager or managing
15 member ~~director~~.

16 (d) A debt, obligation, or other liability of a limited
17 worker cooperative association is solely that of the
18 association and is not a debt, obligation, or liability of a
19 manager or managing member ~~director~~ solely by reason of being
20 a manager or managing member ~~director~~. An individual is not
21 personally liable, directly or indirectly, for an obligation
22 of an association solely by reason of being a manager or
23 managing member ~~director~~.

24 ~~(c) Directors shall be elected for terms determined by the~~
25 ~~bylaws by a majority vote of the assembly.~~

26 (Source: P.A. 101-292, eff. 1-1-20.)

1 (805 ILCS 317/51 new)

2 Sec. 51. Earnings and losses.

3 (a) The net earnings and losses of an association formed
4 under this Act shall be apportioned and distributed in such
5 manner as the articles or cooperative agreement shall specify.
6 Net earnings declared as patronage allocations with respect to
7 a period of time, and paid or credited to patron members, shall
8 be apportioned among the patron members in accordance with the
9 ratio which each patron member's patronage during the
10 applicable time period bears to the total patronage by all
11 patron members during that period.

12 (b) The apportionment, distribution, and payment of net
13 earnings required by subsection (a) of this Section may be in
14 cash, credits, or written notices of allocation issued by the
15 association.

16 (805 ILCS 317/52 new)

17 Sec. 52. System of internal capital accounts.

18 (a) A limited worker cooperative association may establish
19 through its articles or cooperative agreement a system of
20 internal capital accounts to reflect the book value and to
21 determine the redemption price of membership interests and
22 written notices of allocation.

23 (b) The articles or cooperative agreement of a limited
24 worker cooperative association may permit the periodic

1 redemption of written notices of allocation and shall provide
2 for recall and redemption of membership interests upon
3 termination of membership in the association.

4 (c) An association may allocate a portion of retained net
5 earnings and net losses to a collective reserve account.
6 Earnings assigned to the collective reserve account may be
7 used for any and all purposes as determined by the board of
8 managers or managing members.

9 (805 ILCS 317/55)

10 Sec. 55. Assembly.

11 (a) A limited worker cooperative association, other than a
12 collective worker cooperative, must have an assembly as
13 constituted by the body of voting members.

14 (b) An individual is not an agent for a limited worker
15 cooperative association solely by being a member of the
16 assembly.

17 (c) A debt, obligation, or other liability of a limited
18 worker cooperative association is solely that of the
19 association and is not a debt, obligation, or liability of a
20 member of the assembly solely by reason of being a voting
21 member. An individual is not personally liable, directly or
22 indirectly, for an obligation of an association solely by
23 reason of being a voting member.

24 (Source: P.A. 101-292, eff. 1-1-20.)"; and

1 on page 21, by inserting immediately below line 25 the
2 following:

3 "(805 ILCS 317/65)

4 Sec. 65. Conversion. A limited worker cooperative
5 association may convert into any form of entity permitted if
6 the board of managers or managing members ~~directors~~ of the
7 limited worker cooperative association adopts a plan of
8 conversion and the assembly adopts such a plan by a two-thirds
9 majority vote. In the case of a collective worker cooperative,
10 a limited worker cooperative association may convert into any
11 form of entity permitted if the members adopt a plan by a
12 two-thirds majority vote. Conversions from other forms of
13 entities to a limited worker cooperative association are
14 governed by the Entity Omnibus Act.

15 (Source: P.A. 101-292, eff. 1-1-20.)

16 (805 ILCS 317/70)

17 Sec. 70. Exemption from securities laws. Any interest
18 ~~security~~, patronage refund, per unit retain certificate, or
19 evidence of membership issued or sold by a limited worker
20 cooperative association ~~as an investment in its capital to the~~
21 ~~members of a cooperative association formed under this Act or~~
22 ~~a similar law of any other state and authorized to transact~~
23 ~~business or conduct activities in this State~~ is exempt from
24 the registration requirements of the Illinois Securities Law

1 of 1953. Such interests ~~securities~~, patronage refunds, per
2 unit retain certificates, or evidence of membership may be
3 sold lawfully by the issuer or its members or salaried
4 employees without the necessity of being registered as a
5 broker or dealer under the Illinois Securities Law of 1953.

6 (Source: P.A. 101-292, eff. 1-1-20.)

7 Section 10. The Entity Omnibus Act is amended by changing
8 Section 111 as follows:

9 (805 ILCS 415/111)

10 Sec. 111. Application of other Acts. The Business
11 Corporation Act of 1983, the General Not For Profit
12 Corporation Act of 1986, the Limited Liability Company Act,
13 the Uniform Limited Partnership Act (2001), and the Uniform
14 Partnership Act (1997) and the Limited Worker Cooperative
15 Association Act, as now or hereafter amended, shall govern all
16 matters related to the entities named in each of those Acts and
17 in this Act except where inconsistent with the letter and
18 purpose of this Act. This Act controls in the event of any
19 conflict with the provisions of the above-named Acts or other
20 laws.

21 (Source: P.A. 101-491, eff. 8-23-19.)

22 Section 99. Effective date. This Act takes effect July 1,
23 2021."