



Rep. Will Guzzardi

Filed: 4/20/2015

09900HB3830ham001

LRB099 09561 JLS 34230 a

1 AMENDMENT TO HOUSE BILL 3830

2 AMENDMENT NO. _____. Amend House Bill 3830 by inserting
3 after the title the following:

4 "WHEREAS, The purpose of this Act is to promote the growth
5 and development of cooperative enterprises in the State of
6 Illinois; and

7 WHEREAS, The General Assembly acknowledges that such
8 democratically owned and controlled enterprises are based on
9 the values of self-help, self-responsibility, democracy,
10 equality, equity, and solidarity, believes that those values
11 deserve the support of our statutes, and therefore seeks to
12 modernize the laws governing cooperatives so that enterprises
13 operating in this manner may more easily form, expand, create
14 jobs, and strengthen our economy; therefore"; and

15 by replacing everything after the enacting clause with the
16 following:

1 "Section 1. Short title. This Act may be cited as the
2 Illinois Cooperative Act.

3 Section 5. Definitions. In this Act:

4 "Association" means any corporation organized under this
5 Act.

6 "Board" means the board of directors of an association.

7 "Cooperative" means an association or a foreign
8 association.

9 "Entity", except as otherwise provided, means a foreign
10 association, a foreign or domestic corporation other than a
11 cooperative, or a foreign or domestic limited liability
12 company.

13 "Foreign association" means a corporation organized under
14 the cooperative laws of another state or the District of
15 Columbia or a foreign corporation that operates on a
16 cooperative basis that is organized under the corporation laws
17 of another state, the District of Columbia, or the United
18 States.

19 "Marketing agreement" means an agreement, contract, or
20 other arrangement between a cooperative and a member in which
21 the member agrees to market all or a part of the products or
22 produce produced by the member, or agrees to purchase all or a
23 part of the member's requirements for inputs, services, or
24 supplies.

25 "Member" means a patron of a cooperative who has been

1 qualified and accepted into membership in a cooperative.

2 "Membership stock" means any class of stock or other equity
3 interest in a cooperative, continuous ownership of which is
4 required for membership in the cooperative.

5 "Patron" means a person with whom a cooperative conducts
6 business and has made an enforceable agreement to allocate and
7 distribute a patronage dividend or per-unit retain allocation,
8 in accordance with federal income tax law.

9 "Patronage stock" means any stock or other equity interest
10 in a cooperative that was originally issued by the cooperative
11 with respect to patronage transactions.

12 "Person" includes a natural person, partnership,
13 corporation, cooperative, or other entity.

14 "Producer" means a person engaged in the production of
15 agricultural products for the market.

16 Section 10. Purposes.

17 (a) An association may be organized under this Act for any
18 lawful purpose permitted to corporations by the laws of this
19 State, except any such purpose that is inconsistent with the
20 provisions of this Act. This Section does not authorize any
21 professional services otherwise prohibited by law.

22 (b) Associations are organized for the primary purpose of
23 providing services to their members, under such members'
24 democratic ownership and control.

25 (c) A municipal power agency organized under the Illinois

1 Municipal Code is not an association for the purposes of this
2 Act.

3 Section 15. Powers of an association. An association
4 incorporated under this Act shall have the following powers:

5 (1) It may make contracts, incur liabilities, and
6 borrow money; issue capital stock and other equity
7 interests and issue certificates therefor; acquire
8 property; and dispose of, mortgage, pledge, lease, or
9 otherwise use in any manner, any of its property, or any
10 interest in its property, wherever situated.

11 (2) It may invest its funds, lend money for its
12 purposes, and hold any property as security for repayment.

13 (3) It may act as the agent or representative of any
14 members or other patrons in any activities authorized by
15 this Act.

16 (4) It may conduct its business and affairs, have
17 offices, and exercise its power in the United States or in
18 any foreign country.

19 (5) It may establish reserves and invest these funds.

20 (6) It may buy, hold, and exercise all privileges of
21 ownership over such real or personal property as is
22 necessary, convenient, or incidental to the conduct of any
23 authorized business of the association.

24 (7) It may establish, secure, own, and develop patents,
25 trademarks, copyrights, service marks, and other

1 intellectual property.

2 (8) Notwithstanding the provisions of the Uniform
3 Disposition of Unclaimed Property Act, it may effectuate
4 the forfeiture of any unclaimed stock or other equity
5 interests, dividends, and patronage allocations, for which
6 the owner cannot be found after a period of 3 years. Notice
7 of the existence of unclaimed stock or other equity
8 interests and a request for written acknowledgment from the
9 owner to the association shall be evidence of a bona fide
10 attempt to deliver the unclaimed stock or other equity
11 interests to the owner. If the notice is not acknowledged
12 within 30 days after the notice is sent or within the
13 period specified in the notice, if longer, all such
14 unclaimed stock or other equity interests specified in the
15 notice are forfeited and become the property of the
16 association.

17 (9) It may make donations for charitable, scientific,
18 educational, community development, or religious purposes,
19 and may use all or part of the funds forfeited to the
20 association under item (8) for these purposes.

21 (10) It may do everything necessary, suitable, or
22 proper for the accomplishment of any of the purposes
23 enumerated in this Section.

24 In addition it may exercise and possess all powers, rights,
25 and privileges necessary or incidental to the purposes for
26 which the association is organized or to the activities in

1 which it is engaged, and any other powers, rights, and
2 privileges granted to corporations by the laws of this State,
3 except as are inconsistent with the provisions of this Act.

4 Section 20. Use of words in name; prohibition.

5 (a) The name of any association organized under this Act
6 shall include the word or abbreviation "cooperative," "coop,"
7 "co-operative", "co-op", "association", or "assn.".

8 (b) No corporation or other person organized or applying to
9 do business in this State shall use the word or abbreviation
10 "cooperative," "coop," "co-operative," or "co-op" as a part of
11 its corporate or other business name or title, unless at least
12 one of the following applies:

13 (1) It is organized under this Act or has converted to
14 an association under this Act.

15 (2) It is organized and operating on a cooperative
16 basis under the General Not For Profit Corporation Act of
17 1986 or the Agricultural Co-Operative Act, or it is a
18 corporation organized and operating under the Business
19 Corporation Act of 1983 for the purpose of ownership or
20 administration of residential property on a cooperative
21 basis.

22 (3) It is a foreign corporation that is organized and
23 operating on a cooperative basis as permitted by the laws
24 under which it is organized that has complied with the
25 provisions of this Act.

1 (4) It is organized and operating in accordance with
2 the cooperative laws of another state, the District of
3 Columbia, or the United States and has complied with the
4 provisions of this Act.

5 (5) It is a state or federally chartered credit union.

6 Section 22. Powers of Secretary of State. The Secretary of
7 State shall have the power and authority reasonably necessary
8 to administer this Act efficiently and to perform the duties
9 therein imposed. The Secretary of State shall have the power to
10 promulgate, amend, or repeal rules and regulations deemed
11 necessary to efficiently administer this Act. The rules adopted
12 by the Secretary of State under this Act shall be effective in
13 the manner provided for in the Illinois Administrative
14 Procedure Act.

15 Section 23. List of associations; exchange of information.
16 The Secretary of State shall publish annual and daily lists of
17 associations formed under this Act in the same manner as is
18 provided in Section 1.25 of the Business Corporation Act of
19 1983.

20 Section 25. Number of incorporators; registered agent.

21 (a) Two or more individuals may form an association under
22 this Act.

23 (b) An association shall have and maintain a registered

1 agent upon whom any process, notice, or demand against the
2 association may be served. The agent shall be one of the
3 following:

4 (1) A natural person who is a resident of this State.

5 (2) A domestic or foreign corporation, limited
6 liability company, limited partnership, limited liability
7 partnership, or association that has a business address in
8 this State and whose purpose permits it to act as a
9 registered agent. The agent shall meet the requirements of
10 Illinois law for an entity of the agent's type to transact
11 business or exercise privileges in this State.

12 Section 30. Articles of incorporation.

13 (a) The articles of incorporation of an association shall
14 set forth all of the following:

15 (1) The name of the association and the address of its
16 principal place of business.

17 (2) The association's purposes, as permitted by this
18 Act. It is sufficient to state in the articles that the
19 association may engage in any activity within the purposes
20 for which associations may be organized under this Act.

21 (3) The address, including street and number, of the
22 association's initial registered office in this State and
23 the name of its initial registered agent at that office.

24 (4) The names and addresses of the incorporators.

25 (5) The number of directors to be elected at the first

1 meeting of shareholders.

2 (6) Whether the association is organized with or
3 without capital stock and:

4 (A) if the association is organized without
5 capital stock, the articles shall set forth the rules
6 by which the property rights and interests of each
7 member are to be determined; and

8 (B) if the association is organized with capital
9 stock, the total amount of the stock which the
10 association is authorized to issue, the number and par
11 value of the shares, and dividend rights, if any; if
12 there is more than one class of stock, the articles
13 shall set forth a statement of the number of shares in
14 each class and a statement of the designations,
15 preferences, qualifications, limitations,
16 restrictions, and special or relative rights of the
17 shares in each class.

18 (7) If the association may issue shares of any
19 preferred or special class in series, the designation of
20 each series and a statement of the variations in the
21 relative rights and preferences of the different series, if
22 the same are fixed in the articles of incorporation, or a
23 statement of the authority vested in the board of directors
24 to establish series and determine the variations in the
25 relative rights and preferences of the different series.

26 (b) The articles may include additional provisions,

1 consistent with law, including provisions that are required or
2 permitted to be set forth in the bylaws. The articles may also
3 contain provisions relating to any Sections of this Act that
4 give discretion to the association to modify default rules or
5 to prohibit or permit certain actions, if and only if such
6 provisions are included in the articles, including, but not
7 limited to, subsection (e) of Section 40, subsection (g) of
8 Section 95, paragraph (b) (2) of Section 170, and subsection (e)
9 of Section 180.

10 (c) The articles shall be signed by the incorporators and
11 filed with the Secretary of State in accordance with Section
12 55. The legal existence of an association begins upon the
13 filing of the articles and, unless the articles provide
14 otherwise, its period of existence is perpetual.

15 Section 35. Amendment or restatement of articles.

16 (a) The articles of incorporation of an association may be
17 altered or amended at any annual meeting of the association or
18 at any special meeting called for that purpose, provided that
19 the text of the proposed change, or a general description of
20 the change, is contained in the notice of the meeting. An
21 amendment shall first be approved by two-thirds of the
22 directors and shall then be adopted by an affirmative vote of
23 60% of the member votes cast on the amendment or, if the
24 articles or bylaws provide or permit, by the affirmative vote
25 of a greater majority or by the affirmative vote of a simple

1 majority of all member votes eligible to be cast on the
2 amendment. Any association controlled directly and equally by
3 members, without a board of directors, shall vote as members
4 and need not first vote as directors.

5 (b) Amendments to the articles of incorporation, when so
6 adopted, shall be filed in accordance with Section 55.

7 (c) The board of an association may adopt a restatement of
8 the articles without a member vote if the restatement merely
9 incorporates amendments previously approved by the board and
10 adopted by the members. An association may, by action taken in
11 the manner required for an amendment, adopt restated articles
12 that contain amendments made at the time of the restatement.
13 Restated articles shall state that they are restated, or
14 restated and amended, if amendments are adopted with the
15 restatement, and shall supersede the existing articles and
16 amendments. Restated articles shall meet the requirements of
17 Section 30, except that the names and addresses of the
18 incorporators and initial directors may be omitted. A
19 restatement of the articles shall be filed in the manner
20 prescribed for an amendment of the articles.

21 (d) Except as provided in the articles of incorporation or
22 bylaws, the board may adopt an amendment to the articles of
23 incorporation without a member vote in any of the following
24 cases:

25 (1) to change the principal place of business of the
26 association;

1 (2) to designate and determine the rights and
2 restrictions of a series within a class of capital stock,
3 if permitted by the articles;

4 (3) to reduce the authorized number of shares of any
5 class or series of capital stock to any number down to and
6 including the number of the shares issued and outstanding,
7 and to assign the authorization for the number of shares so
8 reduced to another class or classes of capital stock
9 previously authorized;

10 (4) after a merger, consolidation, conversion,
11 division, or occurrence of any other contingent event
12 referred to in the articles of incorporation, to eliminate
13 from the articles any statement or provision pertaining
14 exclusively to the merger, consolidation, conversion,
15 division, or occurrence, and to make other changes required
16 by such elimination, but only after the deleted item has
17 been superseded in accordance with the articles of
18 incorporation or otherwise is no longer in effect.

19 Section 40. Voting on amendment.

20 (a)(1) Unless the board provides that division (a)(3) of
21 this Section applies to an amendment to the articles of
22 incorporation, a holder of stock other than membership stock or
23 patronage stock who is affected by a proposed amendment to the
24 articles shall be entitled to cast one vote on the amendment
25 regardless of the par or stated value of the stock, the number

1 of shares, or the number of affected classes of stock held.

2 (2) A member holding stock affected by a proposed amendment
3 may vote only as a member and shall not be entitled to vote or
4 demand fair cash value as an affected stockholder.

5 (3) The board may provide that a stockholder otherwise
6 entitled to vote under division (a)(1) of this Section shall
7 instead be entitled to payment of fair cash value of the
8 affected stock held by such stockholder in accordance with
9 Section 170.

10 (b) For purposes of this Section, a holder of stock is
11 affected as to any class of stock owned by the holder only if
12 an amendment would expressly do any of the following:

13 (1) decrease the dividends to which that class may be
14 entitled or change the method by which the dividend rate on
15 that class is fixed;

16 (2) further restrict rights to transfer that class;

17 (3) give to another existing or any new class of stock
18 or equity interest not previously entitled thereto any
19 preference, as to dividends or upon dissolution, that is
20 higher than preferences of that class;

21 (4) change the par value of shares of that class or of
22 any other class having the same or higher preferences as to
23 dividends or upon dissolution;

24 (5) increase the number of authorized shares of any
25 class having a higher preference as to dividends or upon
26 dissolution; or

1 (6) require or permit an exchange of shares of any
2 class with lower preferences as to dividends or upon
3 dissolution for shares of any other class with higher
4 preferences.

5 (c) If any proposed amendment will alter or change the
6 powers, preferences, or special rights of one or more series of
7 any class so as to affect them adversely, but shall not so
8 affect the entire class, then only the shares of the series so
9 affected by the amendment shall be considered a separate class
10 for the purposes of subsection (b) of this Section.

11 (d) If stockholders are entitled to vote on an amendment,
12 the amendment is adopted only if all of the following
13 conditions are met:

14 (1) notice of the meeting, an exact copy of the
15 proposed amendment, and a ballot on the amendment have been
16 sent to each affected stockholder;

17 (2) approval by the members under Section 35; and

18 (3) approval by a simple majority of the affected
19 stockholders present and voting at a meeting of the
20 stockholders.

21 (e) This Section does not apply to stock issued prior to
22 the effective date of this Act, unless the association adopts
23 an amendment to its articles of incorporation making the stock
24 subject to this Section.

25 Section 45. Evidence of incorporation.

1 (a) A copy of the association's articles of incorporation
2 or restated articles filed in the office of the Secretary of
3 State, and certified by the Secretary of State, is conclusive
4 evidence, except as against the State, that the association has
5 been incorporated under the laws of this State; and a copy
6 certified by the Secretary of State of any certificate of
7 amendment or other certificate is prima-facie evidence of such
8 amendment or of the facts stated in the certificate, and of the
9 observance and performance of all antecedent conditions
10 necessary to the action that the certificate purports to
11 evidence.

12 (b) A copy of restated articles filed in the office of the
13 Secretary of State, and certified by the Secretary of State,
14 shall be accepted in this State and other jurisdictions in lieu
15 of the original articles, amendments to the articles, and prior
16 amended articles.

17 (c) The original or a copy of the record of minutes of the
18 proceedings of the incorporators of an association, or of the
19 proceedings or meetings of the members or any class of
20 stockholders, or of the directors, or of any committee thereof,
21 including any written consent, waiver, release, or agreement
22 entered in such record or minutes, or the original or a copy of
23 a statement that no specified proceeding was had or that no
24 specified consent, waiver, release, or agreement exists,
25 shall, when certified to be true by the secretary or an
26 assistant secretary of an association, be received in the

1 courts as prima-facie evidence of the facts stated therein.
2 Every meeting referred to in the certified original or copy is
3 considered duly called and held, and all motions and
4 resolutions adopted and proceedings had at the meeting are
5 considered duly adopted and had, and all elections of directors
6 and all elections or appointments of officers chosen at the
7 meeting are considered valid, until the contrary is proved; and
8 whenever a person who is not a member, patron, or stockholder
9 of an association has acted in good faith in reliance upon any
10 such certified original or copy, it is conclusive in that
11 person's favor.

12 Section 50. Reinstatement of association.

13 (a) An association that has been dissolved in a manner
14 other than for a voluntary dissolution as provided in Section
15 180, or a judicial dissolution, may be reinstated by filing, on
16 a form prescribed by the Secretary of State for the
17 administration of this Act, an application for reinstatement,
18 including the name and address of the association's registered
19 agent, and by filing all reports and paying all fees, franchise
20 taxes, penalties, and interest then due and theretofore
21 becoming due.

22 (b) Upon reinstatement of an association's articles of
23 incorporation, the rights, privileges, and franchises,
24 including all real or personal property rights and credits and
25 all contract and other rights, of the association existing at

1 the time that the dissolution became effective shall continue
2 in effect as if the dissolution had not occurred; and the
3 association shall again be entitled to exercise the rights,
4 privileges, and franchises authorized by its articles.

5 Section 55. Filing articles; certificates of amendment;
6 annual reports.

7 (a) For filing articles of incorporation or a certificate
8 of amendment of articles or a certificate of merger,
9 consolidation, division, dissolution, or reinstatement, an
10 association organized under this Act shall pay to the Secretary
11 of State the same fees required of corporations organized under
12 the Business Corporation Act of 1983. In the case of a
13 certificate of division, the filing fee shall be the same as
14 for a certificate of merger or consolidation.

15 (b) Associations shall file the same annual reports and pay
16 the same fees, franchise taxes, penalties, and interest
17 required of corporations under the Business Corporation Act of
18 1983, except that if the association is organized without
19 capital stock, the association shall report its paid-in capital
20 as the total of its membership interests.

21 (c) When the articles of incorporation, or a certificate of
22 amendment of articles, or a certificate of merger,
23 consolidation, conversion, division, or dissolution is filed
24 with the Secretary of State, the Secretary of State shall, if
25 the articles or certificate complies with this Act, endorse

1 approval thereon, the date of filing, a file number, and make a
2 legible copy thereof by any authorized method.

3 (d) All persons shall have the opportunity to acquire a
4 copy of the articles and other certificates filed in the office
5 of the Secretary of State, but no person dealing with the
6 association shall be charged with constructive notice of the
7 contents of any such articles or certificates by reason of the
8 filing.

9 Section 60. Dividends; stock; security interest.

10 (a) An association may pay dividends annually on its
11 capital stock at a rate not exceeding 8% of its par value for
12 any year, but dividends may be cumulative. The realized net
13 earnings of the cooperative, to the extent attributable to
14 business done with or for its patrons, shall be allocated and
15 distributed among patrons in proportion to their patronage and
16 in such manner and at such time as to constitute patronage
17 dividends or per-unit retain allocations within the meaning of
18 federal income tax law.

19 (b) Notwithstanding subsection (a), the articles or bylaws
20 may provide for any of the following:

21 (1) that eligibility for patronage dividends is
22 limited to members or to members in good standing;

23 (2) that the net earnings of the cooperative shall be
24 retained for the capital and development needs of the
25 cooperative and the improvement and extension of its

1 services;

2 (3) that the number of allocation units of the
3 cooperative shall be limited in any reasonable and
4 equitable manner; or

5 (4) that patronage-sourced net operating losses of the
6 cooperative shall not be allocated to patrons but shall be
7 carried forward to offset patronage-sourced net earnings
8 of subsequent years.

9 (c) An association, at any time, may purchase its own
10 common stock at par or book value as determined by the board.

11 (d) An association shall have a continued perfected
12 security interest in its membership stock and patronage stock
13 to secure payment of any indebtedness or other obligation of
14 the holder or owner to the association. Notwithstanding
15 Articles 8 and 9 of the Uniform Commercial Code, the security
16 interest shall have priority over all other perfected security
17 interests. Unless otherwise provided in the association's
18 articles of incorporation or bylaws, or by contract, a member
19 or other patron has no right to compel an association to offset
20 its membership stock or patronage stock against any
21 indebtedness or obligation owed to the association.

22 Section 62. Membership stock certificates; disclosure
23 document.

24 (a) An association may issue, but is not required to issue,
25 membership stock certificates, if it is organized with

1 membership stock. In the event that such certificates are
2 issued, the certificates shall state the information required
3 to be contained in the disclosure document described in
4 subsection (c).

5 (b) If an association does not issue certificates, it shall
6 issue a receipt or written advice of purchase to anyone
7 purchasing a membership or membership share, or receiving a
8 patronage share. No disclosure document need be provided to an
9 existing member prior to the purchase of additional memberships
10 or membership shares, or to a patron receiving patronage
11 shares, if that member or patron has previously been provided
12 with a disclosure document which is accurate and correct as of
13 the date of the membership or share transaction.

14 (c) Except as provided in subsection (e), prior to issuing
15 a membership or membership stock, an association shall provide
16 the purchaser with a disclosure document. The disclosure
17 document may be a prospectus, offering circular, brochure,
18 specimen copy of the membership certificate, or similar
19 document. The disclosure document shall contain the following
20 information:

21 (1) A statement that the association is a cooperative
22 corporation.

23 (2) A statement that a copy of the association's
24 articles and bylaws are available at a specified internet
25 website, if the association has made them electronically
26 available, and that such documents will be furnished

1 without charge to a member or prospective member upon
2 written request, and the address to which such a written
3 request is to be directed.

4 (3) A statement of the purchase price of a membership
5 or membership share, and if such purchase price is subject
6 to change, a statement of the process for making such
7 change.

8 (4) If there are restrictions imposed by the
9 association upon the transfer of membership, a statement to
10 that effect and the restrictions imposed on transfer.

11 (5) If the association may levy dues, assessments,
12 additional share purchases, or membership or transfer
13 fees, a statement to that effect and the conditions under
14 which the association may make such a levy.

15 (6) If the member is required to contribute services to
16 the association, a statement to that effect and the amount
17 and nature of the services to be contributed to the
18 association.

19 (7) Whether the membership is redeemable and the
20 conditions under which the membership may be redeemed at
21 the option of the association or the member.

22 (8) If the voting power or the proprietary interests of
23 the members is unequal, a statement to that effect and the
24 rule or rules by which the voting power and proprietary
25 rights are to be determined.

26 (9) In lieu of specifying verbatim in the disclosure

1 document the restrictions on the transfer of a membership,
2 conditions of levy, amount and nature of services to be
3 contributed, conditions under which memberships are
4 redeemable, or the rules by which the voting power and
5 proprietary rights of members are to be determined, the
6 disclosure document may contain a statement that such
7 information will be provided free of charge to a member or
8 prospective member who requests it in writing. If the
9 disclosure document contains such a statement it shall also
10 set forth the address to which such a request is to be
11 directed.

12 (d) If the articles or bylaws are amended so that any
13 statement required by subsection (a) on outstanding membership
14 stock certificates is no longer accurate, the board may cancel
15 the outstanding certificates and issue in their place new
16 certificates conforming to the articles or bylaws as amended.

17 (e) When new membership stock certificates are issued in
18 accordance with subsection (d), the board may order holders of
19 outstanding certificates to surrender and exchange them for new
20 certificates within a reasonable time fixed by the board. The
21 board may further provide that the holder of the certificate to
22 be surrendered shall not be entitled to exercise any of the
23 rights of membership until the certificate is surrendered, but
24 such rights shall be suspended only after notice of the order
25 is given to the holder of the certificate and only until the
26 certificate is surrendered.

1 (f) If a transferee of a membership stock certificate has
2 not previously been provided with a disclosure statement which
3 is accurate and correct as of the date of registration of the
4 transfer, then the association shall provide a disclosure
5 document to the transferee upon registration with the
6 association of the transfer of the certificate.

7 Section 65. Bylaws. An association shall adopt bylaws that
8 are not inconsistent with this Act or the association's
9 articles of incorporation. The bylaws may provide for any of
10 the following:

11 (1) The time, place, and manner of calling and
12 conducting the association's meetings.

13 (2) The number of members constituting a quorum. If
14 voting by any method other than personal appearance is
15 used, members represented by a ballot may be counted in
16 computing a quorum only on those matters for which the
17 ballots were submitted.

18 (3) The right of members to vote by ballot delivered in
19 person, by mail, by electronic or telephonic transmittal,
20 or any combination of these, and the conditions, manner,
21 form, and effect of such votes.

22 (4) Subject to the provisions of Section 75, a method
23 of voting by members or delegates, and any limitations on
24 voting rights of any group or class of members or
25 delegates.

1 (5) The number of directors constituting a quorum.

2 (6) The number, qualifications, compensation, duties,
3 and terms of office of directors and officers, and the time
4 of their election and the manner of giving notice of the
5 election.

6 (7) Penalties for violation of the bylaws.

7 (8) The amounts of entrance, organization, and
8 membership fees, if any, the manner of collecting them, and
9 the purposes for which they may be used, or the par value
10 and number of shares required for membership, if any.

11 (9) Any amount that each member is required to pay
12 annually or from time to time to carry on the business of
13 the association; any charge to be paid by each member for
14 services rendered by the association, and the time of
15 payment and the manner of collection of such charge; and
16 any marketing contract between the association and its
17 members that members may be required to sign.

18 (10) The number and qualifications of members of the
19 association and the conditions of membership or for
20 ownership of membership stock in the association.

21 (11) The time and manner of permitting members to
22 withdraw or the holders of membership stock to transfer
23 their stock; and the manner of assignment and transfer of
24 membership stock.

25 (12) The conditions upon which, and the time when, the
26 membership of any member ceases; and the suspension of the

1 rights of a member who ceases to be eligible for membership
2 in the association.

3 (13) The manner and effect of the expulsion of a
4 member.

5 (14) In the event of the death or withdrawal of a
6 member or upon the expulsion of a member or the forfeiture
7 of membership, any of the following:

8 (A) the manner of determining the value of a
9 member's interest;

10 (B) provision for the purchase of a member's
11 interest by the association; or

12 (C) at the option of the association, provision for
13 such purchase at a price fixed by appraisal by the
14 board of directors of the association.

15 (15) Any other provision for any matter relative to the
16 control, regulation, operation, management, or government
17 of the association.

18 Section 70. Adoption, amendment, or repeal of bylaws.

19 (a) The initial bylaws may be adopted by the association's
20 directors who are to serve until the first member meeting.
21 After the initial bylaws are adopted, bylaws may be adopted and
22 amended only by the members unless the articles or bylaws
23 provide that the board, by a two-thirds vote of the entire
24 board, may adopt or amend the bylaws or any specified bylaw.

25 (b) Any bylaw adopted or amended by the board shall be

1 reported at the next member meeting. Any bylaw adopted or
2 amended by the board shall not conflict with the association's
3 articles of incorporation or with this Act. Any bylaw is
4 subject to amendment or repeal by the members at any time.

5 (c) Unless the bylaws provide otherwise, any bylaw may be
6 adopted, amended, or repealed by a majority of the member votes
7 cast on the adoption, amendment, or repeal.

8 Section 75. Members or delegates entitled to vote.

9 (a) A member entitled to vote shall have one vote, except
10 that the articles or bylaws of the association may permit the
11 following:

12 (1) voting by members in accordance with the amount of
13 business done with or through the association;

14 (2) voting by delegates, including a voting system that
15 provides any one or a combination of the following:

16 (A) that a delegate may cast only one vote;

17 (B) that a delegate may cast one vote for each
18 member represented by the delegate; or

19 (C) that another form of delegate voting may be
20 used.

21 (3) Voting by delegates or certain members on matters
22 that are to be submitted to a member vote.

23 (4) Voting by any combination of the methods set forth
24 in this subsection or any other method of voting set forth
25 in the bylaws, provided the association is controlled by

1 the members.

2 (b) If the articles or bylaws provide that only delegates
3 or certain members are entitled to vote on matters to be
4 submitted to a member vote, "member" or "members", as used in
5 this Act with respect to the right of a member to vote, voting
6 procedure, the required proportion of member votes, actions
7 that are required or permitted to be taken by members, and the
8 number of members required for a quorum, means the delegates or
9 other members entitled to vote. When voting is based on the
10 amount of business done, provisions of this Act requiring a
11 vote of the members are met if the required membership vote is
12 satisfied based on the voting power of the members.

13 Section 80. Members; meetings.

14 (a) An association shall have 2 or more members. However,
15 an association may have one member if that member is a
16 cooperative that has 2 or more members.

17 (b) An association shall hold an annual meeting of its
18 members. The board may call a special meeting of the members at
19 any time. Any meeting of the members may be held at one time or
20 in a series of meetings at one or more locations.

21 (c) Twenty per cent of the members entitled to vote may
22 file with the board a petition stating any proper business to
23 be brought before the association and demanding a special
24 meeting at any time for consideration of such business. Upon
25 compliance with this Section, the meeting shall be called by

1 the board.

2 (d) Notice of every meeting, together with a statement of
3 the purpose of the meeting, shall be sent to each member who is
4 entitled to vote at the meeting and any affected stockholder at
5 the member's or stockholder's current address, as shown in the
6 records of the association, at least 10 days prior to the
7 meeting, in accordance with Section 85. The bylaws may provide
8 that the notice be given by publication in a newspaper or
9 newspapers of general circulation in the trade area of the
10 association if notice to individual members and affected
11 shareholders is impracticable.

12 Section 85. Methods of giving notice; waiver.

13 (a) Whenever notice is required by this Act to be given to
14 any person, the notice may be given personally, by mail, or by
15 electronic or telephonic transmittal. If mailed, the notice is
16 given when it is deposited in the United States mail, with
17 postage prepaid, addressed to the person at the person's
18 address as it appears on the records of the association. If
19 notice is sent by electronic or telephonic transmittal, notice
20 is given when an electronic or telephonic confirmation of
21 delivery is received by the association.

22 (b) A signed waiver is equivalent to personal notice to the
23 person signing. The waiver may be signed at any time.

24 Section 90. Board of directors.

1 (a) Except where this Act or an association's articles of
2 incorporation or bylaws require that action be otherwise
3 authorized or taken, all of the authority of an association
4 shall be exercised by or under the direction of the board. The
5 board shall consist of not less than 5 directors, elected by
6 and from the members, unless (i) the number of members is less
7 than 5, in which case, the number of directors may equal the
8 number of members or (ii) the articles provide that members
9 directly and equally control the association and that all
10 director rights, responsibilities, and other requirements
11 under this Act are assigned to each member, in which case there
12 may be no elected board and all references to a board or
13 directors in this Act apply instead to all members.

14 (b) The bylaws may provide that the membership of an
15 association be divided into districts or other groupings and
16 that the directors shall be elected according to such districts
17 or groupings. In that case, the bylaws shall specify the number
18 of directors to be elected and the manner of reapportioning or
19 redistricting the membership.

20 (c) The bylaws may provide that one or more directors may
21 be appointed by the other directors. The appointed directors
22 need not be members of the association, but shall have the same
23 powers, rights, and responsibilities as other directors. The
24 appointed directors shall not number more than 20% of the
25 entire number of directors.

26 (d) The bylaws may provide for an executive committee and

1 may allot to the executive committee any of the functions and
2 powers of the board, subject to the general direction and
3 control of the board.

4 (e) The association may provide a fair remuneration for the
5 time actually spent by its officers and directors in its
6 service, and for the services of the members of its executive
7 committee.

8 (f) Unless the bylaws provide otherwise, when a vacancy on
9 the board occurs other than by expiration of term, the
10 remaining directors on the board, by a majority vote, may elect
11 a director to fill the vacancy. If the bylaws provide for an
12 election of directors by the members in a district or other
13 grouping, the board may call a special meeting of the members
14 in that district or group to fill the vacancy.

15 (g) A director may resign at any time by giving written
16 notice to the board of directors, its chairman, or to the
17 president or secretary of the association. A resignation is
18 effective when the notice is given unless the notice specifies
19 a future date. The pending vacancy may be filled before the
20 effective date, but the successor shall not take office until
21 the effective date.

22 Section 92. Officers.

23 (a) The officers of an association shall consist of a
24 president, a secretary, a treasurer, and, if desired, a
25 chairperson and one or more vice-chairpersons of the board, one

1 or more vice-presidents, and other officers and assistant
2 officers as necessary. The officers shall be elected by the
3 board. The chairperson and any vice-chairperson of the board
4 shall be a director. Unless the association's articles of
5 incorporation or bylaws provide otherwise, none of the other
6 officers need be a director. Any 2 or more offices may be held
7 by the same person, but no officer shall execute, acknowledge,
8 or verify any instrument in more than one capacity if the
9 instrument is required by law or by the articles or bylaws to
10 be executed, acknowledged, or verified by 2 or more officers.
11 Unless the articles or the bylaws provide otherwise, all
12 officers shall be elected annually.

13 (b) All officers have the authority to perform, and shall
14 perform, the duties as the bylaws provide, or as the board may
15 determine in accordance with the bylaws.

16 Section 93. Removal of officers or directors.

17 (a) Unless the bylaws provide otherwise, a director may be
18 removed, with or without cause, by a majority vote of all
19 members at an annual or special meeting.

20 (b) If the bylaws provide for election of directors by the
21 members in a district or other grouping, then the members
22 residing in that district or belonging to the group may, by a
23 majority vote at an annual or special meeting, remove the
24 director representing such district or group.

25 (c) Any director or officer facing possible removal shall

1 be given fair notice of the proposed action in writing prior to
2 a meeting and shall have an opportunity at the meeting to be
3 heard in person or in writing.

4 Section 95. Indemnification.

5 (a) Subject to subsections (b) and (c) of this Section, an
6 association may indemnify or agree to indemnify any person that
7 was or is a party, or is threatened to be made a party, to any
8 threatened, pending, or completed civil, criminal,
9 administrative, or investigative action, suit, or proceeding,
10 other than an action or suit by or in the right of the
11 association, because the person is or was a director, officer,
12 employee, agent, or volunteer of the association or is or was
13 serving at the request of the association as a trustee,
14 director, officer, employee, member, manager, agent, or
15 volunteer of another association, entity, partnership, joint
16 venture, trust, or other enterprise. The indemnification
17 described in this subsection shall be for expenses, including
18 attorney's fees, judgments, fines, and amounts paid in
19 settlement actually and reasonably incurred by the person in
20 connection with the action, suit, or proceeding described in
21 this subsection.

22 (b) With respect to any noncriminal action or proceeding,
23 the indemnification described in subsection (a) of this Section
24 shall only be made if the person acted in good faith and in a
25 manner the person reasonably believed to be in or not opposed

1 to the best interests of the association as described in
2 subsection (d) of Section 100.

3 (c) With respect to any criminal action or proceeding, the
4 indemnification described in subsection (a) of this Section
5 shall only be made if the person acted in good faith and in a
6 manner the person reasonably believed to be in or not opposed
7 to the best interests of the association as described in
8 subsection (d) of Section 100, and the person had no reasonable
9 cause to believe the conduct was unlawful.

10 (d) For purposes of subsections (b) and (c) of this
11 Section, the termination of any action, suit, or proceeding by
12 judgment, order, settlement, or conviction or a plea of nolo
13 contendere or its equivalent does not create, of itself, a
14 presumption that the person did not act in good faith and in a
15 manner the person reasonably believed to be in or not opposed
16 to the best interests of the association or that the person had
17 reasonable cause to believe that the conduct was unlawful.

18 (e) Subject to subsection (f) of this Section and provided
19 the person acted in good faith and in a manner the person
20 reasonably believed to be in or not opposed to the best
21 interests of the association, an association may indemnify or
22 agree to indemnify any person that was or is a party, or is
23 threatened to be made a party, to any threatened, pending, or
24 completed action or suit by or in the right of the association
25 to procure a judgment in its favor, because the person is or
26 was a director, officer, employee, agent, or volunteer of the

1 association or is or was serving at the request of the
2 association as a trustee, director, officer, employee, member,
3 manager, agent, or volunteer of another association, entity,
4 partnership, joint venture, trust, or other enterprise. The
5 indemnification described in this subsection shall be for
6 expenses, including attorney's fees, actually and reasonably
7 incurred by the person in connection with the defense or
8 settlement of an action or suit described in this subsection.

9 (f) If a person is adjudged to be liable for negligence or
10 misconduct in the performance of a duty to the association, the
11 indemnification described in subsection (e) of this Section
12 shall not exceed, for any claim, issue, or matter, the amount
13 that the court in which the action or suit was brought
14 determines, upon application, that despite the adjudication of
15 liability and in view of all the circumstances of the case, the
16 person fairly and reasonably is entitled to indemnity for
17 expenses that the court in which the action or suit was brought
18 considers proper.

19 (g) Notwithstanding subsections (a), (b), (c), (d), (e),
20 and (f) of this Section, unless limited in the articles of
21 incorporation, to the extent that a person has been successful
22 on the merits in defense of any action, suit, or proceeding
23 described in subsection (a), (b), (c), (d), (e), or (f) of this
24 Section, the person shall be indemnified against expenses,
25 including attorney's fees, actually and reasonably incurred in
26 connection with that action, suit, or proceeding.

1 (h) Unless ordered by a court or unless subsection (g) of
2 this Section applies, the association shall make any
3 indemnification under subsections (a), (b), (c), (d), (e), and
4 (f) of this Section only as authorized in the specific case,
5 upon a determination that indemnification of the person is
6 proper in the circumstances because the person has met the
7 applicable standard of conduct set forth in subsections (a),
8 (b), (c), (d), (e), and (f) of this Section. This determination
9 shall be made in any of the following manners:

10 (1) by a majority vote of a quorum consisting of
11 directors of the indemnifying association that were not and
12 are not parties to or threatened with the action, suit, or
13 proceeding described in subsections (a), (b), (c), (d),
14 (e), and (f) of this Section;

15 (2) whether or not a quorum as described in paragraph
16 (1) of this subsection is obtainable, and if a majority of
17 a quorum of disinterested directors so directs, in a
18 written opinion by independent legal counsel other than an
19 attorney or a firm of attorneys associated with that
20 attorney, that within the past 5 years has been retained by
21 or has performed services for the association or has
22 performed services for any person to be indemnified; or

23 (3) by the members.

24 (i) The association shall pay the expenses, including
25 attorney's fees, incurred by the person in defending the
26 action, suit, or proceeding described in subsection (a), (b),

1 (c), (d), (e), or (f) of this Section, unless either of the
2 following applies:

3 (1) At the time of a person's act or omission that is
4 the subject of an action, suit, or proceeding described in
5 subsection (a), (b), (c), (d), (e), or (f) of this Section,
6 the articles or bylaws of the association state, by
7 specific reference to subsections (a), (b), (c), (d), (e),
8 and (f) of this Section, that subsections (a), (b), (c),
9 (d), (e), and (f) of this Section do not apply to the
10 association.

11 (2) The only liability asserted against a person in an
12 action, suit, or proceeding described in subsection (a),
13 (b), (c), (d), (e), or (f) of this Section is pursuant to
14 Section 110. Upon receipt of a request from a person, the
15 association may pay expenses, including attorney's fees,
16 incurred by a person in defending any action, suit, or
17 proceeding described in subsection (a), (b), (c), (d), (e),
18 or (f) of this Section as the expenses are incurred in
19 advance of the final disposition of the action, suit, or
20 proceeding, if the board authorizes this payment in the
21 specific case and upon receipt of an undertaking by or on
22 behalf of the person to repay the amount if it ultimately
23 is determined that the person is not entitled to be
24 indemnified by the association.

25 (j) Both of the following apply to the indemnification
26 authorized by this Section:

1 (1) It is not exclusive of and is in addition to any
2 other rights granted to a person seeking indemnification
3 pursuant to the articles or bylaws of the association, any
4 agreement, a vote of members or disinterested directors of
5 the association, or otherwise, for action taken in the
6 person's official capacity and action taken in another
7 capacity while holding their office or position.

8 (2) It continues as to a person that has ceased to be a
9 director, officer, employee, member, manager, agent, or
10 volunteer and inures to the benefit of the heirs,
11 executors, and administrators of that person.

12 (k) As used in this Section, "association" includes all
13 constituent associations and entities in a consolidation or
14 merger and the new or surviving association or entity. Any
15 person that is or was a director, officer, employee, agent, or
16 volunteer of a constituent association or is or was serving at
17 the request of a constituent association as a trustee,
18 director, officer, employee, member, manager, agent, or
19 volunteer of another association, entity, partnership, joint
20 venture, trust, or other enterprise stands in the same position
21 under this Section with respect to the new or surviving
22 association or entity as the person would if the person had
23 served the new or surviving association or entity in the same
24 capacity.

25 (1) An association may purchase and maintain insurance or
26 furnish similar protection, including, but not limited to,

1 trust funds, letters of credit, or self-insurance, for or on
2 behalf of any person that is or was a director, officer,
3 employee, agent, or volunteer of the association or is or was
4 serving at the request of the association as a trustee,
5 director, officer, employee, member, manager, agent, or
6 volunteer of another association, entity, partnership, joint
7 venture, trust, or other enterprise. The insurance or similar
8 protection described in this subsection shall be against any
9 liability asserted against the person and incurred by the
10 person in any such capacity, whether or not the association
11 would have the power to indemnify the person against that
12 liability under this Section.

13 Insurance described in this subsection may be purchased
14 from or maintained with a person in which the association has a
15 financial interest.

16 Section 100. Standard of care for directors.

17 (a) A director shall perform the duties of a director,
18 including duties as a member of any committee of the directors
19 upon which the director serves, in good faith, in a manner the
20 director reasonably believes to be in or not opposed to the
21 best interests of the association, and with the care that an
22 ordinarily prudent person in a like position would use under
23 similar circumstances. In performing these duties, a director
24 is entitled to rely on information, opinions, reports, or
25 statements, including financial statements and other financial

1 data, that are prepared or presented by any of the following:

2 (1) one or more directors, officers, or employees of
3 the association whom the director reasonably believes are
4 reliable and competent in the matters prepared or
5 presented;

6 (2) counsel, public accountants, or other persons as to
7 matters that the director reasonably believes are within
8 the person's professional or expert competence;

9 (3) a committee of the directors upon which the
10 director does not serve, established in accordance with the
11 association's articles of incorporation or bylaws, as to
12 matters within its designated authority, provided the
13 director reasonably believes the committee merits
14 confidence.

15 (b) For purposes of subsection (a) of this Section:

16 (1) A director shall not be found to have failed to
17 perform the duties in accordance with subsection (a) of
18 this Section, unless it is proved, by clear and convincing
19 evidence, in an action brought against the director that
20 the director has not acted in good faith, in a manner
21 reasonably believed to be in or not opposed to the best
22 interests of the association, or with the care that an
23 ordinarily prudent person in a like position would use
24 under similar circumstances. Such an action includes, but
25 is not limited to, an action that involves or affects any
26 of the following:

1 (A) a change or potential change in control of the
2 association;

3 (B) a termination or potential termination of the
4 director's service to the association as a director;

5 (C) service in any other position or relationship
6 with the association.

7 (2) A director shall not be considered to be acting in
8 good faith if the director has knowledge concerning the
9 matter in question that would cause reliance on
10 information, opinions, reports, or statements that are
11 prepared or presented by the persons described in
12 subsections (a)(1) through (a)(3) of this Section to be
13 unwarranted.

14 (c)(1) Subject to subsections (c)(2) and (c)(3) of this
15 Section, a director is liable in damages for any act that the
16 director takes or fails to take as director only if it is
17 proved, by clear and convincing evidence, in an action brought
18 against the director that the act or omission of the director
19 was undertaken with a deliberate intent to cause injury to the
20 association or was undertaken with a reckless disregard for the
21 best interests of the association.

22 (2) Subsection (c)(1) of this Section does not affect the
23 liability of a director under Section 110.

24 (3) Subject to subsection (c)(2) of this Section,
25 subsection (c)(1) of this Section does not apply if, and only
26 to the extent that, at the time of an act or omission of the

1 director, the association's articles of incorporation or
2 bylaws state, by specific reference to subsection (c)(1) of
3 this Section, that its provisions do not apply to the
4 association.

5 (d) For purposes of this Section and Section 95, in
6 determining what is reasonably believed to be in or not opposed
7 to the best interests of the association, a director shall
8 consider the purposes of the association and may consider any
9 of the following:

10 (1) the interests of the employees, suppliers,
11 creditors, and customers of the association;

12 (2) the economy of this State and of the United States;

13 (3) community, and societal, and environmental
14 matters;

15 (4) the long-term and short-term best interests of the
16 association;

17 (5) the interests of the members as patrons of the
18 association.

19 (e) Subsections (b) and (c) of this Section do not affect
20 the duties of a director who acts in any capacity other than as
21 a director.

22 Section 105. Effect of self-dealing.

23 (a) Unless otherwise provided in an association's articles
24 of incorporation or bylaws:

25 (1) No contract or transaction between an association

1 and one or more of its directors or officers, or between
2 the association and any other person in which one or more
3 of the association's directors or officers are directors or
4 officers, or have a financial or personal interest, shall
5 be void or voidable solely for this reason, or solely
6 because the director or officer is present at or
7 participates in the meeting of the board or committee that
8 authorizes the contract or transaction, or solely because
9 the director's or officer's votes are counted for such
10 purpose, if the contract or transaction is fair to the
11 association at the time it is authorized or approved, and
12 such authorization or approval is granted in either of the
13 following manners:

14 (A) the material facts as to the relationship or
15 interest and as to the contract or transaction are
16 disclosed or are known to the board or the committee,
17 and the board or committee in good faith authorizes the
18 contract or transaction by the affirmative vote of a
19 majority of the disinterested directors, even if the
20 disinterested directors constitute less than a quorum
21 of the board or the committee; or

22 (B) the material facts as to the relationship or
23 interest and as to the contract or transaction are
24 disclosed or are known to the members entitled to vote
25 on the contract or transaction, and the contract or
26 transaction is specifically approved at a meeting of

1 the members.

2 (2) Common or interested directors may be counted in
3 determining the presence of a quorum at a meeting of the
4 board, or of a committee that authorizes the contract or
5 transaction.

6 (b) Items (1) and (2) of subsection (a) do not limit or
7 otherwise affect the liability of directors under Section 110.

8 (c) For purposes of subsection (a), a director is not an
9 interested director solely because the subject of a contract or
10 transaction may involve or effect a change in control of the
11 association or continuation in office as a director of the
12 association.

13 Section 110. Liability of members, directors, and
14 officers.

15 (a) No member, director, or officer of an association shall
16 be personally liable for any obligation of the association to
17 an amount exceeding the sum remaining unpaid on his membership
18 fee or his subscription to the capital stock, including any
19 unpaid balance on any promissory notes given in payment
20 thereof.

21 (b) Directors who vote for or assent to any of the
22 following are jointly and severally liable to the association
23 in accordance with this subsection:

24 (1) a distribution of assets to members, stockholders,
25 or patrons contrary to law, the association's articles of

1 incorporation, or bylaws;

2 (2) a distribution of assets to persons other than
3 creditors during the winding up of the affairs of the
4 association, on dissolution or otherwise, without the
5 payment of all known obligations of the association, or
6 without making adequate provision for the payment of the
7 obligations; or

8 (3) the making of loans, other than in the usual
9 conduct of the association's affairs or in accordance with
10 the association's articles or bylaws, to an officer,
11 director, or member of the association.

12 In cases under item (1) of this subsection, directors are
13 liable up to the amount of the distribution in excess of the
14 amount that could have been distributed without violation of
15 law, the articles of incorporation, or bylaws, but not in
16 excess of the amount that would inure to the benefit of the
17 creditors of the association if it was insolvent at the time of
18 the distribution or there was reasonable ground to believe that
19 by such vote or assent it would be rendered insolvent, or to
20 the benefit of the members or stockholders other than members
21 or stockholders of the class in respect of which the
22 distribution was made.

23 In cases under item (2) of this subsection, directors are
24 liable to the extent that the obligations, not otherwise barred
25 by statute, are not paid, or for the payment of which adequate
26 provision has not been made.

1 In cases under item (3) of this subsection, directors are
2 liable for the amount of the loan with interest thereon at the
3 rate of 6% per year until the amount has been paid.

4 A director is not liable under item (1) or (2) of this
5 subsection if, in determining the amount available for any such
6 distribution, the director in good faith relied on a financial
7 statement of the association prepared by an officer or employee
8 of the association in charge of its accounts or by a certified
9 public accountant or firm of certified public accountants, or
10 in good faith considered the assets to be of their book value,
11 or followed what the director believed to be sound accounting
12 and business practice.

13 (c) A director who is present at a meeting of the board or
14 a committee of the board at which action on any matter is
15 authorized or taken and who has not voted for or against such
16 action shall be presumed to have voted for the action unless
17 the director dissents from the action during the meeting and
18 the dissent is noted in the minutes of the proceedings of the
19 meeting, or a written dissent is filed either during the
20 meeting or within a reasonable time after the adjournment of
21 the meeting.

22 (d) A member, stockholder, or patron who receives any
23 distribution made contrary to law, the association's articles
24 of incorporation, or bylaws is liable to the association for
25 the amount received that is in excess of the amount that could
26 have been distributed.

1 (e) A director against whom a claim is asserted under or
2 pursuant to this Section and who is held liable on the claim is
3 entitled to contribution, on equitable principles, from other
4 directors who also are liable. In addition, any director
5 against whom a claim is asserted under or pursuant to this
6 Section, or who is held liable, has a right of contribution
7 from the member, stockholder, or patron who received any
8 distribution made contrary to law, the articles of
9 incorporation, or bylaws, and such persons as among themselves
10 also are entitled to contribution in proportion to the amounts
11 received by them respectively.

12 (f) No action shall be brought by or on behalf of an
13 association, upon any cause of action arising under item (1) or
14 (2) of subsection (b), at any time after 2 years from the day
15 on which the violation occurs; provided that no such action is
16 barred by this subsection if it is commenced prior to the
17 effective date of this Act.

18 Section 120. Surety bonds. If required by the
19 association's bylaws, every officer, employee, and agent
20 handling funds, negotiable instruments, or other property of or
21 for an association shall execute and deliver adequate bonds for
22 the faithful performance of the officer's, employee's, or
23 agent's duties and obligations.

24 Section 130. Books and records; examination by member.

1 (a) An association shall keep correct and complete books
2 and records of account, and shall also keep minutes of the
3 proceedings of meetings of its members, board, and delegates.
4 The association shall keep at its principal office records of
5 the names and addresses of all members and stockholders with
6 the amount of ownership interests and stock held by each.

7 (b) At any reasonable time, any member, upon written notice
8 that states, with specificity, a proper purpose for an
9 examination of books and records and that is delivered or sent
10 to the association at least one week in advance, may examine
11 those books and records pertinent to the purpose in the notice.
12 The board may deny a request of a member to examine the books
13 and records if the purpose is not proper because the purpose is
14 not directly related to the person's interest as a member and
15 is contrary to the best interests of the association.

16 (c) At any reasonable time, a stockholder who is not a
17 member, upon written notice that states, with specificity, a
18 proper purpose for an examination of books and records and that
19 is delivered or sent to the association at least one week in
20 advance, may examine those books and records that are pertinent
21 to the purpose in the notice. The board may deny a request of a
22 stockholder to examine the books and records if the purpose is
23 not proper because the purpose is not directly related to the
24 person's interest as a stockholder and is contrary to the best
25 interest of the association.

1 Section 132. Interrogatories to be propounded by Secretary
2 of State. The Secretary of State may propound to any
3 association subject to the provisions of this Act, and to any
4 officer or director thereof, such interrogatories as may be
5 reasonably necessary and proper to enable the Secretary to
6 ascertain whether such association has complied with all the
7 provisions of this Act applicable to such association. Such
8 interrogatories shall be answered within 30 days after the
9 mailing thereof, or within such additional time as shall be
10 fixed by the Secretary of State, and the answers thereto shall
11 be full and complete and shall be made in writing and under
12 oath. If such interrogatories be directed to an individual they
13 shall be answered by him or her, and if directed to an
14 association they shall be answered by the president,
15 vice-president, or secretary thereof. The Secretary of State
16 need not file any document to which such interrogatories relate
17 until such interrogatories be answered as herein provided, and
18 not then if the answers thereto disclose that such document is
19 not in conformity with the provisions of this Act. The
20 Secretary of State shall certify to the Attorney General, for
21 such action as the Attorney General may deem appropriate, all
22 interrogatories and answers thereto which disclose a violation
23 of any of the provisions of this Act.

24 Section 133. Information disclosed by interrogatories.
25 Interrogatories propounded by the Secretary of State and the

1 answers thereto shall not be open to public inspection nor
2 shall the Secretary of State disclose any facts or information
3 obtained therefrom except insofar as official duty may require
4 the same to be made public or in the event such interrogatories
5 or the answers thereto are required for evidence in any
6 criminal proceeding or in any other action by the State.

7 Section 135. Merger or consolidation with associations.

8 (a) An association may merge or consolidate with one or
9 more associations under this Act. Before an association may
10 merge or consolidate with any other association, a written plan
11 of merger or consolidation shall be approved by the board of
12 each constituent association and by the members of each
13 constituent association. The plan shall set forth the terms of
14 the merger or consolidation, including any provisions for
15 amendment or abandonment of the plan. In the case of a
16 consolidation, the plan also shall contain the articles of
17 incorporation of the new association.

18 (b) If the plan of merger or consolidation provides that a
19 holder of stock other than membership stock or patronage stock
20 in a constituent association will be affected, all of the
21 following apply:

22 (1) Unless the board of the constituent association
23 provides that item (2) of this subsection applies, the
24 affected stockholder shall be entitled to cast one vote on
25 the plan regardless of the par or stated value, the number

1 of shares, or the number of affected classes of the stock
2 held.

3 (2) The board of a constituent association may provide
4 that a stockholder otherwise entitled to vote under item
5 (1) of this subsection shall instead be entitled to payment
6 of fair cash value of the affected stock held by the
7 stockholder in accordance with Section 170.

8 (3) A member holding stock affected by a proposed plan
9 of merger or consolidation may vote only as a member and
10 shall not be entitled to vote or demand fair cash value as
11 an affected stockholder.

12 (c) For purposes of this Section, a holder of stock is
13 affected as to any class of stock owned by the holder only if
14 the agreement of merger or consolidation does any of the
15 following:

16 (1) decreases the dividends to which that class may be
17 entitled or changes the method by which the dividend rate
18 on that class is fixed;

19 (2) provides for additional restriction of rights to
20 transfer shares of that class;

21 (3) gives to another existing or any new class of stock
22 or equity interest not previously entitled thereto any
23 preference, as to dividends or upon dissolution, that is
24 higher than preferences of that class;

25 (4) changes the par value of shares of that class or of
26 any other class having the same or higher preferences as to

1 dividends or upon dissolution;

2 (5) increases the number of authorized shares of any
3 other class having the same or higher preferences as to
4 dividends or upon dissolution beyond the aggregate
5 authorizations for such classes in the constituent
6 associations; or

7 (6) requires or permits an exchange of shares of any
8 class with lower preferences as to dividends or upon
9 dissolution for shares of any other class with higher
10 preferences.

11 (d) The plan is approved if both of the following
12 conditions are met with respect to each constituent
13 association:

14 (1) notice of the meeting to vote on the plan, the plan
15 of merger or consolidation, and a description of the method
16 of voting have been sent to all members, and to all
17 affected stockholders entitled either to vote on the plan
18 or to receive payment of fair cash value under subsection
19 (b);

20 (2) 60% of the member votes cast approve the plan, and
21 a simple majority of the votes cast by the affected
22 stockholders entitled to vote under subsection (b) approve
23 the plan.

24 (e) Notwithstanding subsection (d), no vote of the members
25 or stockholders of a constituent association shall be necessary
26 to approve a merger of a wholly owned subsidiary association

1 with and into its parent cooperative or a merger or a
2 consolidation of 2 or more subsidiary associations that are
3 wholly owned by a cooperative.

4 (f) After approval of a plan under this Section, but before
5 the merger or consolidation is effective, the plan may be
6 amended in accordance with any provision for amendment set
7 forth in the plan, provided that an amendment made subsequent
8 to adoption of the plan by the members of any constituent
9 association shall not do any of the following:

10 (1) change the membership rights, or the amount or kind
11 of stock, securities, cash, property, or other rights to be
12 received, exchanged, or converted in the merger or
13 consolidation;

14 (2) change the articles of incorporation or bylaws of
15 the surviving or new association as provided for in the
16 plan;

17 (3) change any provision of the plan with respect to
18 the rights of members or the manner of voting in the
19 surviving or new association.

20 (g) After approval of a plan under this Section, but before
21 the merger or consolidation is filed with the Secretary of
22 State, the merger or consolidation may be abandoned in
23 accordance with any provision for abandonment set forth in the
24 plan.

25 (h) The merger or consolidation shall take effect in
26 accordance with Sections 145 and 150.

1 Section 140. Association; merger or consolidation with
2 foreign associations.

3 (a) An association may merge or consolidate with one or
4 more foreign associations, if such merger or consolidation is
5 permitted by the laws under which each constituent cooperative
6 exists and the association complies with this Section.

7 (b) Each constituent association shall comply with Section
8 135 with respect to form and approval of a plan of merger or
9 consolidation, and each constituent foreign association shall
10 comply with the applicable provisions of the laws under which
11 it exists, except that the plan of merger or consolidation, by
12 whatever name designated, shall comply with subsections (c) and
13 (d) of this Section.

14 (c) The plan of merger or consolidation shall set forth all
15 of the following:

16 (1) The names of the states and the laws under which
17 each constituent cooperative exists.

18 (2) All statements and matters required to be set forth
19 in plans or agreements of merger or consolidation by the
20 laws under which any constituent cooperative exists.

21 (3) A statement as to whether the surviving or new
22 cooperative is to be an association or a foreign
23 association.

24 (4) If the surviving or new cooperative is to be a
25 foreign association:

1 (A) the place where the principal office of the
2 surviving or new foreign association is to be located
3 in the state in which the surviving or new foreign
4 association is to exist;

5 (B) the consent by the surviving or new foreign
6 association that it may be sued and served with process
7 in this State in any proceeding for the enforcement of
8 any obligation of any constituent association;

9 (C) the consent by the surviving or new foreign
10 association that it shall be subject to the provisions
11 applicable to foreign corporations under the Business
12 Corporation Act of 1983, substituting the word
13 "association" for "corporation", and, with respect to
14 the name of a foreign association, substituting
15 references to Section 20 of this Act for references to
16 Section 4.05 of the Business Corporation Act of 1983;
17 and

18 (D) if it is desired that the surviving or new
19 foreign association exercise its corporate privileges
20 in this State as a foreign entity.

21 (d) The plan also may set forth other provisions permitted
22 by the laws of any state in which any constituent cooperative
23 exists.

24 (e) If the surviving or new cooperative is an association,
25 the merger or consolidation shall take effect in accordance
26 with Sections 145 and 150.

1 (f) If the surviving or new cooperative is a foreign
2 association, the merger or consolidation shall take effect in
3 accordance with the applicable provisions of the laws under
4 which it exists and in accordance with Section 150.

5 Section 145. Effective date of merger or consolidation.

6 (a) Unless a later date, which may not be more than 30 days
7 after the date of filing, is specified in the plan, a merger or
8 consolidation under Section 135 is effective when the articles
9 of merger or consolidation and plan of merger or consolidation
10 are filed in accordance with Section 150.

11 (b) In the case of a merger, the surviving association is
12 the one designated in the plan. In the case of a consolidation,
13 the new association is the one designated in the plan. The
14 separate existence of all constituent associations in the
15 agreement, except the surviving or new association, ceases upon
16 the effective date of the merger or consolidation.

17 (c) The surviving or new association possesses all the
18 rights and all the property of each constituent association,
19 and is responsible for all their obligations. Title to any
20 property is vested in the surviving or new association with no
21 reversion or impairment of the property caused by the merger or
22 consolidation. A merger or consolidation shall not be
23 considered an assignment. No right of any creditor shall be
24 impaired by the merger or consolidation without the creditor's
25 consent.

1 Section 150. Articles of merger or consolidation; filing.
2 Upon adoption of a plan of merger or consolidation under
3 Section 135, articles of merger, signed by any authorized
4 officer or representative of each constituent association,
5 shall, along with a copy of the plan of merger or
6 consolidation, be filed with the Secretary of State on a form
7 prescribed by the Secretary of State that sets forth the
8 following:

9 (1) the name and form of each constituent association
10 and the State law under which each constituent association
11 exists;

12 (2) a statement that each constituent association has
13 adopted the plan of merger or consolidation, the manner of
14 adoption, and that the plan was adopted in compliance with
15 the laws applicable to each constituent association;

16 (3) the effective date of the merger or consolidation,
17 which date may be on or after the date of filing of the
18 certificate;

19 (4) in the case of a merger, a statement that one or
20 more specified constituent associations will be merged
21 into a specified surviving association or, in the case of a
22 consolidation, a statement that the constituent
23 associations will be consolidated into a new association;
24 and

25 (5) the name and address of the registered agent upon

1 whom any process, notice, or demand against any constituent
2 association, or the surviving or new association, may be
3 served.

4 In the case of a merger into an association, any amendments
5 to the articles of incorporation or the articles of
6 organization of the surviving association shall be filed with
7 the articles of merger.

8 In the case of a consolidation to form a new domestic
9 association, the articles of incorporation of the new
10 association shall be filed with the articles of merger.

11 If the surviving or new cooperative is a foreign
12 association that desires to transact business in this State as
13 a foreign association, the certificate shall be accompanied by
14 an application for authority to transact business in this
15 State.

16 Section 155. Plan of division.

17 (a) An association may divide itself into 2 or more
18 associations. A written plan of division shall be approved by
19 the association's board. Such plan shall set forth all the
20 terms of the division and the proposed effect of the division
21 on all members and stockholders of the association. The plan
22 also shall contain the articles of incorporation and bylaws of
23 each association resulting from the division, which articles
24 and bylaws shall conform to the requirements for associations
25 organized under this Act.

1 (b) If the plan of division provides that a holder of stock
2 other than membership stock or patronage stock will be
3 affected, the following apply:

4 (1) Unless the board provides that item (2) of this
5 subsection applies, the affected stockholder shall be
6 entitled to cast one vote on the plan of division
7 regardless of the par or stated value, the number of
8 shares, or the number of affected classes of the stock
9 held.

10 (2) The board may provide that a stockholder otherwise
11 entitled to vote under item (1) of this subsection shall
12 instead be entitled to payment of fair cash value of the
13 affected stock held by the stockholder in accordance with
14 Section 170.

15 (3) A member holding stock affected by a proposed plan
16 of division may vote only as a member and shall not be
17 entitled to vote or demand fair cash value as an affected
18 stockholder.

19 (c) For purposes of this Section, a holder of stock is
20 affected as to any class of stock owned by the holder only if
21 the plan of division does any of the following:

22 (1) Decreases the dividends to which that class may be
23 entitled or changes the method by which the dividend rate
24 on that class is fixed.

25 (2) Provides any additional restriction on rights to
26 transfer shares of that class.

1 (3) Gives to another existing or any new class of stock
2 or equity interest not previously entitled thereto any
3 preference, as to dividends or upon dissolution, that is
4 higher than preferences of that class in a resulting
5 association.

6 (4) Changes the par value of shares of that class or of
7 any other class having the same or higher preferences as to
8 dividends or upon dissolution.

9 (5) Increases the aggregate number of authorized
10 shares of any other class having the same or higher
11 preferences as to dividends or upon dissolution in the
12 resulting associations beyond the authorization for such
13 classes in the original association.

14 (6) Requires or permits an exchange of shares of any
15 class with lower preferences as to dividends or upon
16 dissolution in the original association for shares of any
17 other class with higher preferences in a resulting
18 association.

19 (d) The plan of division is approved if both of the
20 following conditions are met:

21 (1) Notice of the meeting to vote on the plan, the plan
22 of division, and a description of the method of voting have
23 been sent to all members and to all affected stockholders
24 entitled either to vote on the plan or to receive payment
25 of fair cash value under subsection (b);

26 (2) 60% of the member votes cast approve the plan, and

1 a simple majority of the votes cast by the affected
2 stockholders entitled to vote under subsection (b) approve
3 the plan.

4 (e) After approval of a plan of division under this
5 Section, but before the division is effective, the plan may be
6 amended or abandoned in accordance with a provision for
7 amendment or abandonment set forth in the plan, provided that
8 an amendment made subsequent to approval of the plan by the
9 members shall not do any of the following:

10 (1) Change the membership rights, or the amount or kind
11 of stock, securities, cash, property, or other rights to be
12 received, exchanged, or converted in the division.

13 (2) Change the articles of incorporation or bylaws of
14 the resulting associations as provided for in the plan.

15 (3) Change any provision of the plan with respect to
16 the rights of members or the manner of voting in the
17 resulting associations.

18 (f) Upon approval of a plan of division, articles of
19 division along with the plan of division, but not including the
20 association's bylaws, signed by any authorized officer of the
21 original association, shall be filed with the Secretary of
22 State on a form prescribed by the Secretary of State setting
23 forth the following:

24 (1) The name of the original association and the name
25 of each resulting association.

26 (2) A statement that the original association has

1 adopted the plan of division, the manner of adoption, and
2 that the plan was adopted in compliance with this Section.

3 (3) The effective date of the division, which date may
4 be on or up to 30 days after the date of filing of the
5 certificate.

6 (4) A statement that the original association will be
7 divided into specified resulting associations.

8 (5) The name and address of the registered agent upon
9 whom any process, notice, or demand against the original
10 association may be served, and the name and address of a
11 registered agent for each resulting association upon whom
12 process, notice, or demand against that resulting
13 association may be served.

14 (g) The articles of incorporation of each of the resulting
15 associations shall be filed with the certificate.

16 Section 160. Conversions.

17 (a) A domestic corporation that is not an association may
18 convert itself into an association by adopting an amendment to
19 its articles of incorporation in which it elects to become
20 subject to this Act, together with any changes in its articles
21 of incorporation and bylaws required by this Act and any other
22 desirable changes permitted by this Act. The amendment shall be
23 adopted and filed in the manner provided by the law under which
24 the corporation exists.

25 (b) An association may convert itself to a domestic

1 corporation by complying with the provisions of subsection (d)
2 of Section 1.70 of the Business Corporation Act of 1983.

3 Section 165. Setting aside reorganizations. An action,
4 other than an action initiated by the State, or any other state
5 or federal governmental agency, to set aside a merger,
6 consolidation, division, or conversion of an association, on
7 the ground that any law has not been complied with, shall be
8 brought within 90 days after the effective date of the merger,
9 consolidation, division, or conversion, or such action shall be
10 forever barred unless it is initiated by a state or federal
11 governmental agency.

12 Section 170. Written demand for payment of fair cash value
13 of stock.

14 (a) In order to obtain payment of the fair cash value, a
15 stockholder entitled to payment of the fair cash value of stock
16 under Section 40, 135, 140, or 155 shall deliver a written
17 demand for payment of the fair cash value of the stock to the
18 association no later than 15 days after notice is sent to
19 members and stockholders in accordance with Section 40, 135,
20 140, or 155, as the case may be. The written demand shall state
21 the name and address of the stockholder, the number and class
22 of the stock for which fair cash value is demanded, and the
23 amount claimed by the stockholder to be the fair cash value of
24 the stock. Delivery of written demand for payment of fair cash

1 value of stock in accordance with this Section is sufficient if
2 delivered to the association or to the surviving or new
3 association or entity resulting from the merger,
4 consolidation, division, or conversion, whether the demand is
5 delivered before, on, or after the effective date of the
6 action. If written demand is not timely delivered in conformity
7 with this Section, the stockholder's right to payment of fair
8 cash value with respect to the amendment to the articles of
9 incorporation, agreement of merger or consolidation, plan of
10 division, or conversion shall be barred.

11 (b) If a timely demand is delivered in accordance with this
12 Section, fair cash value of the stock shall be determined and
13 paid to the stockholder in accordance with the following
14 procedures:

15 (1) The association or the surviving, new, or resulting
16 association or entity shall send a written acknowledgment
17 of receipt of the demand for fair cash value to the address
18 specified in the demand no later than 15 days after receipt
19 of the demand. If the board of the association or the
20 surviving, new, or resulting association or entity
21 believes that the demand has failed to comply with the
22 requirements of this Section, the acknowledgment shall
23 state any such defects. The acknowledgment also shall state
24 what the board believes to be the fair cash value of the
25 stock that is the subject of the demand. If the articles of
26 incorporation of the constituent or original association

1 provide a value for the stock upon redemption, the fair
2 cash value of the stock presumptively shall be the lesser
3 of the redemption value or the fair market value of the
4 stock immediately prior to the merger, consolidation,
5 division, or conversion.

6 (2) The stockholder shall not transfer, encumber,
7 pledge, or otherwise dispose of the stock that is the
8 subject of the demand for fair cash value, or any
9 certificate representing the stock, until the demand is
10 finally resolved by agreement, withdrawal, or final
11 judicial determination.

12 (3) If the association's articles of incorporation or
13 bylaws provide a reasonable basis for determining and
14 paying the fair cash value of the stock that is the subject
15 of the demand for fair cash value, or if the association or
16 the surviving, new, or resulting cooperative and the
17 demanding stockholder reach an agreement on the fair cash
18 value of the stock within 3 months after delivery of the
19 demand for fair cash value, the fair cash value of the
20 stock shall be determined in accordance with the
21 constituent or original association's articles of
22 incorporation or bylaws or as agreed upon, as the case may
23 be. The association shall thereupon tender payment of the
24 fair cash value so determined to the stockholder within 30
25 days of delivery of any certificates representing the stock
26 or the stockholder's written waiver and release of claim to

1 all rights to the stock to the association or the
2 surviving, new, or resulting cooperative. Without
3 precluding other possible reasonable bases for determining
4 fair cash value of stock under this Section, a provision in
5 the constituent or original association's articles of
6 incorporation or bylaws that fair cash value shall be
7 determined by mediation or final and binding arbitration,
8 or that fair cash value shall be the lesser of par value,
9 book value, or fair market value, shall be considered a
10 reasonable basis for determining and paying the fair cash
11 value of stock.

12 (c) The right of a demanding stockholder to receive the
13 fair cash value of stock as to which the stockholder seeks
14 relief and the obligation of the association or the surviving,
15 new, or resulting cooperative to furnish the fair cash value
16 for those interests terminate if any of the following applies:

17 (1) The demanding stockholder fails to comply with this
18 Section.

19 (2) The association abandons the amendment of
20 articles, merger, consolidation, division, or conversion
21 or is finally enjoined or prevented from taking such
22 action.

23 (3) The demanding stockholder withdraws the demand for
24 fair cash value with consent of the association.

25 (4) The demanding stockholder attempts to sell,
26 transfer, or encumber the stock which is the subject of the

1 demand prior to final determination of its fair cash value
2 under this Section or a final judicial determination.

3 (5) All of the following apply:

4 (A) the articles of incorporation or bylaws of the
5 association do not provide a reasonable basis for
6 determining and paying fair cash value to an affected
7 stockholder;

8 (B) the association and the affected stockholder
9 have not agreed upon the fair cash value of the stock
10 which is the subject of the demand;

11 (C) the affected stockholder does not file a timely
12 complaint for judicial determination.

13 (d) The fair cash value that is agreed upon by the affected
14 stockholder and the association, or determined using a
15 reasonable basis for determining and paying fair cash value in
16 the association's articles of incorporation or bylaws, or fixed
17 by a court shall be paid within 30 days as follows:

18 (1) immediately to the holder of uncertificated stock;

19 or

20 (2) upon and simultaneously with the surrender of
21 certificates representing certificated stock.

22 Section 175. Disposing of assets of association.

23 (a) As used in this Section, "substantially all" means more
24 than two-thirds of the association's assets, measured, in the
25 board's discretion, either by value as recorded in the books

1 and records of the association or by fair market value.

2 (b) Unless the articles of incorporation or the bylaws of
3 an association otherwise provide, a lease, sale, exchange,
4 transfer, or other disposition of any assets of an association
5 may be made upon terms and for consideration which may consist,
6 in whole or in part, of money or other property, including
7 shares or other securities or promissory obligations of any
8 association or entity, as may be authorized by the board. If a
9 lease, sale, exchange, transfer, or other disposition, or a
10 series of such transactions, would dispose of all or
11 substantially all of the assets of the association, then the
12 disposition may be made only upon a written plan of disposition
13 prepared by the board or by a committee selected by the board
14 for that purpose, and adopted in the same manner as provided
15 for the adoption of a resolution of dissolution in Section 180.
16 A plan of disposition shall set forth a general description or
17 summary of the assets subject to disposition; the method of
18 disposition; the intended transferee of the assets, if known to
19 the board; and a general description of any material effect the
20 board believes the disposition will have on the interests of
21 the members and stockholders. Notice of a meeting of the
22 members at which a plan of disposition will be voted on shall
23 be given to all members, whether or not entitled to vote at the
24 meeting. The notice shall be accompanied by a copy or summary
25 of the plan of disposition and a ballot for those members
26 entitled to vote on the plan.

1 (c) The association, by its board, may abandon a plan of
2 disposition, subject to the contract rights of other persons,
3 if the power of abandonment is conferred upon the board either
4 by the terms of the transaction or in the plan of disposition.

5 (d) An action to set aside a disposition of assets by an
6 association, on the ground that any law applicable to the
7 lease, sale, exchange, transfer, or other disposition of all or
8 substantially all the assets of the association has not been
9 complied with, shall be brought within 90 days after such
10 transaction, or the action is forever barred.

11 Section 176. Grounds for administrative dissolution. The
12 Secretary of State may dissolve any association
13 administratively if:

14 (1) it has failed to file its annual report as required
15 by this Act;

16 (2) it has failed to file in the office of the
17 Secretary of State any report after the expiration of the
18 period prescribed in this Act for filing such report;

19 (3) it has failed to pay any fees, taxes, or charges
20 prescribed by this Act;

21 (4) it has misrepresented any material matter in any
22 application, report, affidavit, or other document filed by
23 the association pursuant to this Act;

24 (5) it has failed to appoint and maintain a registered
25 agent in this State;

1 (6) it has tendered payment to the Secretary of State
2 which is returned due to insufficient funds, a closed
3 account, or for any other reason, and acceptable payment
4 has not been subsequently tendered;

5 (7) upon the failure of an officer or director to whom
6 interrogatories have been propounded by the Secretary of
7 State as provided in this Act, to answer the same fully and
8 to file such answer in the office of the Secretary of
9 State; or

10 (8) if the answer to such interrogatories discloses, or
11 if the fact is otherwise ascertained, that the proportion
12 of the sum of the paid-in capital of such association
13 represented in this State is greater than the amount on
14 which such association has theretofore paid fees and
15 franchise taxes, and the deficiency therein is not paid.

16 Section 177. Procedure for administrative dissolution.

17 (a) After the Secretary of State determines that one or
18 more grounds exist under Section 176 for the administrative
19 dissolution of an association, he or she shall send by regular
20 mail to each delinquent association a Notice of Delinquency to
21 its registered office, or, if the association has failed to
22 maintain a registered office, then to the president or other
23 principal officer at the last known address of said officer.

24 (b) If the association does not correct the default
25 described in paragraphs (1) through (5) of Section 176 within

1 90 days following such notice, the Secretary of State shall
2 thereupon dissolve the association by issuing a certificate of
3 dissolution that recites the ground or grounds for dissolution
4 and its effective date. If the association does not correct the
5 default described in paragraphs (6) through (8) of Section 176
6 within 30 days following such notice, the Secretary of State
7 shall thereupon dissolve the association by issuing a
8 certificate of dissolution as herein prescribed. The Secretary
9 of State shall file the original of the certificate in his or
10 her office and mail one copy to the association at its
11 registered office or, if the association has failed to maintain
12 a registered office, then to the president or other principal
13 officer at the last known address of said officer.

14 (c) The administrative dissolution of an association
15 terminates its corporate existence and such a dissolved
16 association shall not thereafter carry on any business;
17 however, such a dissolved association may take all action
18 authorized under Section 190 that is necessary or appropriate
19 to wind up and liquidate its business and affairs.

20 Section 178. Administrative dissolution; association name.
21 The Secretary of State shall not allow another association to
22 use the name of an association that has been administratively
23 dissolved until 3 years have elapsed following the date of
24 issuance of the certificate of dissolution. If the association
25 that has been administratively dissolved is reinstated within 3

1 years after the date of issuance of the certificate of
2 dissolution, the association shall continue under its previous
3 name without impacting its continuous legal status, unless the
4 association petitions to change its name upon reinstatement.

5 Section 180. Voluntary dissolution.

6 (a) An association may be dissolved voluntarily in the
7 manner provided in this Section.

8 (b) A resolution of dissolution for an association shall
9 state both of the following:

10 (1) that the association elects to be dissolved; and

11 (2) any additional provision considered necessary with
12 respect to the proposed dissolution and winding up.

13 (c) Before subscriptions for membership and any stock or
14 other ownership interest have been received, the incorporators
15 or a majority of the incorporators may adopt, by a writing
16 signed by them, a resolution of dissolution.

17 (d) The directors may adopt a resolution of dissolution in
18 the following cases:

19 (1) when the association has been adjudged bankrupt or
20 has made a general assignment for the benefit of creditors;

21 (2) by leave of the court, when a receiver has been
22 appointed in a general creditors' suit or in any suit in
23 which the affairs of the association are to be wound up;

24 (3) when substantially all of the assets have been sold
25 at judicial sale or otherwise; or

1 (4) when the period of existence of the association
2 specified in its articles has expired.

3 (e) At a meeting held for such purpose, the members may
4 adopt a resolution of dissolution by the affirmative vote of
5 60% of the member votes cast on the proposal or, if the
6 articles provide or permit, by the affirmative vote of a
7 greater or lesser proportion though not less than a majority,
8 of the voting power, of any particular class as is required by
9 the articles of incorporation. Notice of the meeting of the
10 members shall be given to all members and stockholders whether
11 or not entitled to vote.

12 (f) Upon the adoption of a resolution of dissolution,
13 articles of dissolution shall be filed with the Secretary of
14 State, on a form prescribed by the Secretary of State.

15 (g) The articles of dissolution described in subsection (f)
16 of this Section shall be signed as follows:

17 (1) when the resolution of dissolution is adopted by
18 the directors, the certificate shall be signed by not less
19 than a majority of the directors;

20 (2) when the resolution is adopted by the directors or
21 by the members, the certificate shall be signed by any
22 authorized officer.

23 (h) Upon the filing of articles of dissolution, the
24 association shall be dissolved.

25 Section 185. Public notice of voluntary dissolution.

1 Following the filing of the articles of dissolution, the
2 directors, members, or incorporators who filed the articles of
3 dissolution, as the case may be, shall cause a notice of
4 voluntary dissolution to be published once a week on the same
5 day of each week for 2 successive weeks, in a newspaper
6 published and of general circulation in the county in which the
7 principal place of business of the association was to be or is
8 located and shall cause written notice of dissolution to be
9 given to all known creditors of, and to all known claimants
10 against, the dissolved association.

11 Section 190. Action to wind up affairs or obtain
12 reinstatement of articles.

13 (a) When an association is dissolved administratively or
14 voluntarily, when a final order of a court is made dissolving
15 an association under Section 195, or when the period of
16 existence of the association specified in its articles of
17 incorporation has expired, the association shall cease to carry
18 on business and shall do only such acts as are required to wind
19 up its affairs or to obtain reinstatement if permitted under,
20 and in accordance with, Section 50.

21 (b) Any claim existing or action or proceeding pending by
22 or against the association or which would have accrued against
23 it may be prosecuted to judgment, with right of appeal as in
24 other cases, but any proceeding, execution, or process, or the
25 satisfaction or performance of any order, judgment, or decree,

1 may be stayed as provided in Section 195.

2 (c) Any process, notice, or demand against the association
3 may be served by delivering a copy to an officer, director,
4 liquidator, or person having charge of its assets or, if no
5 such person can be found, to the registered agent.

6 (d) The directors of the association or their successors
7 shall act as the board of directors in accordance with the
8 articles of incorporation and bylaws until the affairs of the
9 association are completely wound up. Subject to the orders of
10 courts of this State having jurisdiction over the association,
11 the directors shall proceed as speedily as is practicable to a
12 complete winding up of the affairs of the association and, to
13 the extent necessary or expedient to that end, shall exercise
14 all the authority of the association. Without limiting the
15 generality of such authority, the directors may fill vacancies;
16 elect officers; carry out contracts of the association; make
17 new contracts; borrow money; mortgage or pledge the property of
18 the association as security; sell its assets at public or
19 private sale; make conveyances in the association's name; lease
20 real estate for any term, including 99 years renewable forever;
21 settle or compromise claims in favor of or against the
22 association; appoint or employ one or more persons as
23 liquidators to wind up the affairs of the association with
24 authority as the directors see fit to grant; cause the title to
25 any of the assets of the association to be conveyed to such
26 liquidators for that purpose; apply assets to the payment of

1 obligations; and, after paying or adequately providing for the
2 payment of all known obligations of the association, distribute
3 the remainder of the assets either in cash or in kind among the
4 members, patrons, and stockholders according to their
5 respective rights and interests. In addition, the directors may
6 perform all other acts necessary or expedient to the winding up
7 of the affairs of the association.

8 (e) The directors, or any liquidator to whom the directors
9 grant such authority, in the course of winding up the
10 association's affairs, shall apply the assets of the
11 association in the following order:

12 (1) to expenses incidental to winding up the
13 association's affairs;

14 (2) to all legally enforceable liabilities and
15 obligations of the association due claimants and
16 creditors;

17 (3) to the stockholders, members, and patrons of the
18 association as provided in the association's articles of
19 incorporation or bylaws.

20 (f) Without limiting the authority of the directors, any
21 action within the purview of this Section that is authorized or
22 approved at a meeting of the members by 60% of the member votes
23 cast thereon shall be conclusive for all purposes upon all
24 members, patrons, and stockholders of the association.

25 (g) All deeds and other instruments of the association
26 shall be in the name of the association and shall be executed,

1 acknowledged, and delivered by the officers appointed by the
2 directors.

3 (h) At any time during the winding up of its affairs, the
4 association by its directors may make application to the court
5 of the county in this State in which the principal place of
6 business of the association is located to have the winding up
7 continued under supervision of the court, as provided in
8 Section 195. However, if the association has no principal place
9 of business in this State, the application described in this
10 Section may be made to a court in the county in this State
11 where the registered agent resides.

12 Section 195. Judicial liquidations.

13 (a) Without limiting the generality of its authority and
14 subject to subsection (b), the court of the county in this
15 State in which is located the principal place of business of a
16 voluntarily dissolved association or whose period of existence
17 has expired, upon the complaint of the association, or a
18 majority of the directors, or 10% of the members or 20 members,
19 whichever is less, and upon such notice to all the directors
20 and other persons interested as the court considers proper, at
21 any time may order and adjudge any of the following matters:

22 (1) The presentation and proof of all claims and
23 demands against the association and of all rights,
24 interests, or liens in or on any of its property; the
25 fixing of the time and the manner in which such proof shall

1 be made and the person to whom presentation shall be made;
2 and the barring from participation in any distribution of
3 assets of all persons failing to make and present proofs as
4 required by the order of the court.

5 (2) The stay of the prosecution of any proceeding
6 against the association or involving any of its property;
7 the requirement that the parties to the proceeding present
8 and prove their claims, demands, rights, interests, or
9 liens at the time and in the manner required of creditors
10 or others; or the grant of leave to bring or maintain an
11 independent proceeding to enforce liens.

12 (3) The settlement or determination of all claims of
13 every nature against the association or any of its
14 property; the determination of the assets required to be
15 retained to pay or provide for the payment of such claims
16 or any claim; the determination of the assets available for
17 distribution among and rights of members, patrons, and
18 stockholders; and the making of new parties to the
19 proceeding so far as the court considers proper for the
20 determination of all matters.

21 (4) The presentation and filing of intermediate and
22 final accounts of the directors or of the liquidators and
23 hearings on them; the allowance, disallowance, or
24 settlement of the accounts; and the discharge of the
25 directors, the liquidators, or any of them from their
26 duties and liabilities.

1 (5) The appointment of a special master commissioner to
2 hear and determine any matters with authority as the court
3 considers proper.

4 (6) The filling of any vacancies in the number of
5 directors or liquidators when the directors are unable to
6 act on the vacancies for want of a quorum or for any other
7 reason.

8 (7) The appointment of a receiver, in accordance with
9 the usage of a court in equitable matters, to wind up the
10 affairs of the association, to take custody of any of its
11 property, or for any other purpose.

12 (8) The issuance or entry of any injunction or any
13 other order that the court considers proper in the
14 administration of the trust involved in the winding up of
15 the affairs of the association and the giving of notice of
16 the entry of injunction or order.

17 (9) The allowance and payment of compensation to the
18 directors or any of them, to liquidators, to a receiver, to
19 the attorney for the complainant, or to any person properly
20 rendering services beneficial to the association or to
21 those interested in it.

22 (10) The entry of a judgment or decree that, if it so
23 provides, may operate as the deed or other instrument
24 ordered to be executed, or the appointment of a master to
25 execute such deed or instrument in the name of the
26 association with the same effect as if executed by an

1 authorized officer pursuant to authority conferred by the
2 directors or the members, patrons, and stockholders of the
3 association, whenever there is no officer or agent
4 competent to execute such deed or instrument, whenever the
5 association or its officers do not perform or comply with a
6 judgment or decree of court, or whenever the court
7 considers it proper.

8 (b) If the association has no principal place of business
9 in this State, without limiting the generality of its
10 authority, the court in the county in this State where the
11 registered agent resides may order and adjudge the matters
12 described in subsection (a).

13 (c) A judicial proceeding under this Section concerning the
14 winding up of the affairs of an association is a special
15 proceeding, and final orders in the proceeding may be vacated,
16 modified, or reversed on appeal pursuant to the Code of Civil
17 Procedure.

18 Section 200. Receiver; winding up affairs of association.

19 (a) Whenever, after an association is dissolved
20 voluntarily or the period of existence of an association has
21 expired, a receiver is appointed to wind up the affairs of the
22 association, all the claims, demands, rights, interests, or
23 liens of creditors, claimants, members, patrons, and
24 stockholders shall be determined as of the day on which the
25 receiver was appointed. Unless it is otherwise ordered, such

1 appointment vests in the receiver and successors of the
2 receiver the right to the immediate possession of all the
3 property of the association, which shall, if so ordered,
4 execute and deliver conveyances of such property to the
5 receiver.

6 (b) Any officer, director, member, or other person, whether
7 a resident of the state or a nonresident and however
8 interested, may be appointed as receiver.

9 (c) The receiver shall have all the authority vested in the
10 directors and officers of the association, shall exercise such
11 authority subject to such orders as are made by the court, and
12 may be required to qualify by giving bond to the State in such
13 amount as the court fixes, with surety to the satisfaction of
14 the clerk of the court, conditioned for the faithful discharge
15 of duties and for a due accounting for all money or property
16 received.

17 Section 205. Marketing agreements.

18 (a) A cooperative and any member may make marketing
19 agreements, whether written separately or contained in the
20 bylaws, in which the member agrees to do any of the following:

21 (1) sell, market, or deliver all or any specified part
22 of products produced or to be produced either by the member
23 or under the member's control, to or through the
24 cooperative or any facilities furnished by it;

25 (2) authorize the cooperative or any facilities

1 furnished by it to act for the member in any manner with
2 respect to all or any specified part of products produced
3 or to be produced either by the member or under the
4 member's control and any services to be furnished by the
5 member;

6 (3) buy or procure all or a specified part of goods or
7 services from or through the cooperative or any facilities
8 furnished by it; or

9 (4) authorize the cooperative or any facilities
10 furnished by it to act for the member in any manner in the
11 procurement of goods or services for the member.

12 (b) The term of marketing agreements may not exceed 10
13 years.

14 (c) A marketing agreement authorized by subsection (a) may
15 require that liquidated damages be paid by the member in the
16 event of a breach of the marketing agreement. Liquidated
17 damages shall be specific, reasonable sums. Any provisions for
18 liquidated damages shall be enforceable and not regarded as
19 penalties.

20 (d) If a member breaches or threatens to breach a marketing
21 agreement authorized by this Section, the cooperative shall be
22 entitled to an injunction to prevent the breach or any further
23 breach, and to a decree of specific performance, unless the
24 marketing agreement provides an alternative remedy or damages
25 are more practicable than specific performance under the
26 circumstances.

1 Section 210. Foreign association. Any foreign association
2 may carry on any proper activities in this State upon
3 compliance with the provisions applicable to foreign
4 corporations under the Business Corporation Act of 1983,
5 substituting the word "association" for "corporation", and,
6 with respect to the name of a foreign association, substituting
7 references to Section 20 of this Act for references to Section
8 4.05 of the Business Corporation Act of 1983. Foreign
9 associations desiring to sell memberships or membership stock
10 to residents of this State shall comply with the disclosure
11 requirements under Section 62. All contracts that could be made
12 by any association incorporated under this Act and that are
13 made by or with such foreign associations, shall be enforceable
14 in this State with all of the remedies available at law or in
15 equity.

16 Section 215. Membership in other organizations. An
17 association may organize, form, operate, own, control, have an
18 interest in, own stock of, or be a member of any other
19 cooperative, corporation, or other form of organization.

20 Section 220. Cooperatives organized under the Co-operative
21 Act. A cooperative organized under the Co-operative Act and
22 existing on the effective date of this Act is deemed to be in
23 compliance with this Act with respect to the cooperative's

1 organization. On and after the effective date of this Act, such
2 a cooperative shall comply with all other provisions of this
3 Act.

4 Section 225. Application of laws.

5 (a) Except as otherwise provided in this Act, this Act
6 applies to all associations, whether organized under this Act
7 prior to the effective date of this Act or on or after that
8 date.

9 (b) Any law that is in conflict with this Act shall be
10 construed as not applying to associations provided for in this
11 Act.

12 (805 ILCS 310/Act rep.)

13 Section 900. The Co-operative Act is repealed.".