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CHAPTER 85
COOPERATIVES

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ARTICLE 1. GENERAL PROVISIONS

§ 1501. Definitions

In this subchapter unless the subject matter requires otherwise:

1. Association. "Association" means a group enterprise legally incorporated under this subchapter and shall be deemed to be a nonprofit corporation.

2. Cooperative basis. "Cooperative basis" as applied to any incorporated or unincorporated group referred to in subsequent sections of this subchapter means:

A. That each member has one vote and only one vote, except as may be altered in the articles or bylaws by provisions for voting by member organizations;

B. That the maximum rate at which any return is paid on share or membership capital is limited to not more than 6%;

C. That the net savings after payment, if any, of said limited return on capital and after making provision for such separate funds as may be required or specifically permitted by statute, articles or bylaws shall be allocated or distributed to member patrons, or to all patrons, in proportion to their patronage; or retained by the enterprise for the actual or potential expansion of its services or the reductions of its charges to the patrons, or for other purposes not inconsistent with its nonprofit character.

3. Member. "Member" means not only a member in a nonshare association but also a member in a share association.

4. Net savings. "Net savings" means the total income of an association minus the costs of operation.

5. Savings returns. "Savings returns" means the amount returned to the patrons in proportion to their patronage or otherwise in accordance with this subchapter.

R.S.1954, c. 56, § 1.

§ 1502. Existing cooperative groups

Any group incorporated under the law of this State and operating on a cooperative basis or any unincorporated group operating on such a basis in this State may elect by a vote of $\frac{2}{3}$ of the members voting to secure the benefits of and be bound by this subchapter, and shall thereupon amend such of its articles and bylaws as are not in conformity with the provisions hereof. A certified copy of the amended articles shall be filed and recorded with the Secretary of State and a fee of \$5 shall be paid.

R.S.1954, c. 56, § 18.

§ 1503. Foreign corporations doing business in State

A foreign corporation or association operating on a cooperative basis and complying with the applicable laws of the State or District of Columbia wherein it is organized shall be entitled to do business in the State as a foreign cooperative corporation or association upon complying with law for foreign corporations doing business in this State.

R.S.1954, c. 56, § 19.

§ 1504. Laws not applicable

No law of the State conflicting or inconsistent with any part of this subchapter shall, to the extent of the conflict or inconsistency, be construed as applicable to associations formed under this subchapter; nor shall any law of the State inappropriate to the purposes of such associations be so construed.

R.S.1954, c. 56, § 20.

§ 1505. Taxation

Associations formed under this subchapter and foreign corporations and associations admitted to do business in the State and entitled to the benefits of this subchapter shall pay the annual license fee required of other business corporations and foreign corporations.

R.S.1954, c. 56, § 21.

§ 1506. Registration as dealers in securities

Associations organized under this subchapter shall be subject to Title 32, chapter 13. The fee charged for registration or renewal shall be \$10.

R.S.1954, c. 56, § 22.

§ 1507. Limitation on return on capital

The return upon capital shall not exceed 6% per year upon the paid-up capital and shall be noncumulative.

Total return upon capital distributed for any single period shall not exceed 50% of the net savings for that period.

R.S.1954, c. 56, § 10.

ARTICLE 2. ORGANIZATION AND BYLAWS**§ 1551. Articles of incorporation; first meeting; fees**

Articles of incorporation for the formation of an association under this subchapter shall be drawn up and filed in the same manner and under the same provisions as for organizing business corporations under the general law, except where such procedure would be inconsistent with this subchapter. The same provision shall apply under said general law to associations organized under this subchapter in respect to the first meeting of the corporation, and as to fees payable to the State.

R.S.1954, c. 56, § 23.

§ 1552. Who may incorporate

Any 3 or more natural persons or 2 or more associations may incorporate in this State under this subchapter.

R.S.1954, c. 56, § 2.

§ 1553. Purposes

An association may be incorporated under this subchapter to engage in any one or more lawful mode or modes of acquiring, producing, building, operating, manufacturing, furnishing, exchanging or distributing any type or types of property, commodities, goods or services for the primary and mutual benefit of the patrons of the association, or their patrons, if any, as ultimate consumers.

R.S.1954, c. 56, § 3.

§ 1554. Powers

An association shall have the capacity to act possessed by natural persons and the authority to do anything required or permitted by this subchapter and also:

1. **Continuation.** To continue as a corporation for the time specified in its articles;
2. **Seal.** To have a corporate seal and to alter the same at pleasure;
3. **Sue and be sued.** To sue and be sued in its corporate name;
4. **Bylaws.** To make bylaws for the government and regulation of its affairs;
5. **Acquire and dispose of property.** To acquire, own, hold, sell, lease, pledge, mortgage or otherwise dispose of any property incident to its purposes and activities;
6. **Own other corporations.** To own and hold membership in and share capital of other associations and any other corporations and any types of bonds or other obligations; and while the owner thereof to exercise all the rights of ownership;
7. **Borrow money; make contracts.** To borrow money, contract debts and make contracts, including agreements of mutual aid or federation with other associations, other groups organized on a cooperative basis and other nonprofit groups;
8. **Operate within and without State.** To conduct its affairs within or without this State;
9. **Powers of ordinary business corporations.** To exercise in addition any power granted to ordinary business corporations, save those powers inconsistent with this subchapter;
10. **Other powers.** To exercise all powers not inconsistent with this subchapter which may be necessary, convenient or expedient for the accomplishment of its purposes, and to that end, the powers enumerated in this section shall not be deemed exclusive.

R.S.1954, c. 56, § 4.

§ 1555. Bylaws

Bylaws shall be adopted, amended or repealed by at least a majority vote of the members voting.

R.S.1954, c. 56, § 5.

§ 1556. Meetings

Regular meetings shall be held as prescribed in the bylaws, but shall be held at least once a year. Special meetings may be

demanding by a majority vote of the directors or by written petition of at least $\frac{1}{10}$ of the membership, in which case it shall be the duty of the secretary to call such meeting to take place within 30 days after such demand.

R.S.1954, c. 56, § 6.

ARTICLE 3. VOTING

§ 1601. One member, one vote

Each member of an association shall have one and only one vote, except that where an association includes among its members any number of other associations or groups organized on a cooperative basis, the voting rights of such member associations or groups may be as prescribed in the articles or bylaws.

No voting agreement or other device to evade the one-member-one-vote rule shall be enforceable by a civil action.

R.S.1954, c. 56, § 7; 1963, c. 414, § 40.

§ 1602. No proxies

No member shall be permitted to vote by proxy.

R.S.1954, c. 56, § 8.

§ 1603. Application of provisions to voting by delegates

If an association has provided for voting by delegates, any provision of this subchapter referring to votes cast by the members shall apply to votes cast by delegates; but this shall not permit delegates to vote by mail.

R.S.1954, c. 56, § 9.

ARTICLE 4. MEMBERS

§ 1641. Eligibility and admission to membership

Any natural person, association, incorporated or unincorporated group organized on a cooperative basis or any nonprofit group shall be eligible for membership in an association if it has met the qualifications for eligibility, if any, stated in the articles or bylaws and shall be deemed a member upon payment in full for the par value of the minimum amount of share or member-

ship capital stated in the articles as necessary to qualify for membership.

R.S.1954, c. 56, § 11.

§ 1642. Subscribers

Any natural person or group eligible for membership and legally obligated to purchase a share or shares of, or membership in, an association shall be deemed a subscriber. The articles or bylaws may determine whether, and the conditions under which, any voting rights or other rights of membership shall be granted to subscribers.

R.S.1954, c. 56, § 12.

§ 1643. Liability of members

Members shall not be jointly or severally liable for any debts of the association, nor shall a subscriber be so liable except to the extent of the unpaid amount on the shares or membership certificates subscribed by him. No subscriber shall be released from such liability by reason of any assignment of his interest in the shares or membership certificate, but shall remain jointly and severally liable with the assignee until the shares or certificates are fully paid-up.

R.S.1954, c. 56, § 15.

§ 1644. Expulsion

A member may be expelled by the vote of a majority of the members voting at a regular or special meeting. The member against whom the charges are to be preferred shall be informed thereof in writing at least 10 days in advance of the meeting, and shall have an opportunity to be heard in person or by counsel at said meeting. On decision of the association to expel a member, the board of directors shall purchase the member's holdings at par value, if and when there are sufficient reserve funds.

R.S.1954, c. 56, § 16.

§ 1645. Allocation and distribution of net savings

At least once a year the members or the directors, or both, as the articles or bylaws may provide, shall apportion the net savings of the association in the following order:

1. **Reserve fund.** Not less than 10% shall be placed in a reserve fund until such time as the fund shall equal at least 50%

of the paid-up capital; and such fund may be used in the general conduct of the business. The amounts apportioned to the reserve fund shall be allocated on the books of the association on a patronage basis, or in lieu thereof, the books and records of the association shall afford a means for doing so in order that upon dissolution or earlier, if deemed advisable, such reserves may be returned to the patrons who have contributed the same, subject to the limitations of the section on dissolution herein;

2. Return upon capital. A return upon capital, within the limitations of sections 1507, 1641 to 1644, 1691 and 1692, may be paid upon share capital; but such return upon capital may be paid only out of the surplus of the aggregate of the assets over the aggregate of the liabilities, including in the latter the amount of the capital stock, after deducting from such aggregate of the assets the amount by which such aggregate was increased by unrealized appreciation in value or revaluation of fixed assets;

3. Educational fund. A portion of the remainder, as determined by the articles or bylaws, shall be allocated to an educational fund to be used in teaching cooperation, and a portion may be allocated to funds for the general welfare of the members of the association;

4. Patronage. The remainder shall be allocated at the same uniform rate to all patrons of the association in proportion to their individual patronage:

A. In the case of a member patron, his proportionate amount of savings returns shall be distributed to him unless he agrees that the association should credit the amount to his account toward the purchase of an additional share or shares or additional membership capital;

B. In the case of a subscriber patron, his proportionate amount of savings returns may, as the articles or bylaws provide, be distributed to him or credited to his account until the amount of capital subscribed for has been fully paid;

C. In the case of a nonmember patron, his proportionate amount of savings returns shall be set aside in a general fund for such patrons and shall be allocated to individual nonmember patrons only upon request and presentation of evidence of the amount of their patronage. Any savings returns so allocated shall be credited to such patron toward payment of the minimum amount of share or membership capital necessary for membership, or may be paid to such patron. When a sum equal to this amount has been accumulated and

so credited at any time within a period of time specified in the bylaws, such patron shall be deemed and become a member of the association if he so agrees or requests and complies with any provisions in the bylaws for admission to membership. The certificates of shares or membership to which he is entitled shall then be issued to him;

D. If within any periods of time specified in the articles or bylaws,

(1) Any subscriber has not accumulated and paid in the amount of capital subscribed for; or

(2) Any nonmember patron has not accumulated in his individual account the sum necessary for membership; or

(3) Any nonmember patron has accumulated the sum necessary for membership, but neither requests nor agrees to become a member or fails to comply with the provisions of the bylaws, if any, for admission to membership,

then the amounts so accumulated or paid in shall go to the educational fund, and thereafter no member or other patron shall have any rights in said paid-in capital or accumulated savings returns as such. Nothing in this section shall prevent an association operating under this subchapter, which is engaged in rendering services, from disposing of the net savings from the rendering of such services in such manner as to lower the fees charged for services or otherwise to further the common benefit of the members. Nothing in this section shall prevent an association from adopting a system whereby the payment of savings returns, which would otherwise be distributed, shall be deferred for a fixed period of months or years; nor from adopting a system whereby the savings returns distributed shall be partly in cash, partly in shares, such shares to be retired at a fixed future date in the order of the serial number or date of issue.

R.S.1954, c. 56, § 17.

ARTICLE 5. SHARES

§ 1691. Issuance and contents

No certificate for share or membership capital shall be issued until the par value thereof has been paid for in full. There shall

be printed upon each certificate issued by an association a full or condensed statement of the requirements of sections pertaining to one-member-one-vote, no proxy and transfer of shares and membership.

R.S.1954, c. 56, § 13.

§ 1692. Transfer of shares and membership; withdrawal

If a member desires to withdraw from the association or dispose of any or all of his holdings, the directors shall have the power to purchase such holdings by paying him the par value of any or all of the holdings offered. The directors shall then reissue or cancel the same. A vote of the majority of the members voting at a regular or special meeting may order the directors to exercise this power to purchase.

If the association fails, within 60 days of the original offer, to purchase all or any part of the holdings offered, the member may dispose of the unpurchased interest elsewhere, subject to the approval of the transferee by a majority vote of the directors. Any would-be transferee not approved by the directors may appeal to the members at their first regular or special meeting thereafter, and the action of the meeting shall be final. If such transferee is not approved, the directors shall exercise their power to purchase, if and when such purchase can be made without jeopardizing the solvency of the association.

R.S.1954, c. 56, § 14.

ARTICLE 6. DISSOLUTION

§ 1731. Procedure

An association may, at any regular or special meeting legally called, be directed to dissolve by a vote of $\frac{2}{3}$ of the entire membership. By a vote of a majority of the members voting, 3 of their number shall be designated as trustees, who shall, on behalf of the association and within a time fixed in their designation or within any extension thereof, liquidate its assets and shall distribute them in the manner set forth in this section. In case of any dissolution of an association, its assets shall be distributed in the following manner and order:

1. **Paying debts and expenses.** By paying its debts and expenses;

2. Amounts paid by members. By returning to the members the par value of their shares or of their membership certificates, returning to the subscribers the amounts paid on their subscriptions and returning to the patrons the amount of savings returns credited to their accounts toward the purchase of shares or membership certificates; and

3. Paying patrons or giving to nonprofit associations. By distributing any surplus in either or both of the following ways as the articles may provide:

A. Among those patrons who have been members or subscribers at any time during the past 6 years, on the basis of their patronage during that period;

B. As a gift to any consumers' cooperatives association or other nonprofit enterprise which may be designated in the articles.

R.S.1954, c. 56, § 24.

SUBCHAPTER II

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ARTICLE 1. GENERAL PROVISIONS

§ 1771. Short title

This subchapter may be cited as the "Uniform Agricultural Cooperative Association Act".

R.S.1954, c. 35, § 28.

§ 1772. Policy

It is the declared policy of this State, as one means of improving the economic position of agriculture, to encourage the organization of producers of agricultural products into effective associations under the control of such producers, and to that end this subchapter should be liberally construed.

R.S.1954, c. 35, § 1.

§ 1773. Uniformity of interpretation

This subchapter shall be so interpreted and construed as to effectuate its general purpose to make uniform the law of those states which enact it.

R.S.1954, c. 35, § 27.

§ 1774. Definitions

As used in this subchapter, unless the context or subject matter requires otherwise:

1. **Agricultural products.** "Agricultural products" include floricultural, horticultural, viticultural, forestry, nut, dairy, livestock, poultry, bee and any farm products.

2. **Articles.** "Articles" means the articles of incorporation.

3. **Association.** "Association" means a corporation organized under this subchapter, or a similar domestic corporation, or a foreign association or corporation if authorized to do business in this State, organized under any general or special act as a cooperative association for the mutual benefit of its members, as agricultural producers, and which confines its operations to purposes authorized by this subchapter and restricts the return on the stock or membership capital and the amount of its business with nonmembers to the limits placed thereon by this subchapter for associations organized hereunder. Associations shall be classified as and deemed to be nonprofit corporations, inasmuch as their primary object is not to pay dividends on invested capital, but to render service and provide means and facilities by or through which the producers of agricultural products may market those products and obtain farm supplies and other services.

4. **Board.** "Board" means the board of directors.

5. **Domestic association.** "Domestic association" means an association or corporation formed under the laws of this State.

6. **Foreign association.** "Foreign association" means an association or corporation not formed under the laws of this State.

7. **Member.** "Member" includes the holder of a membership in an association without capital stock and the holder of common stock in an association organized with capital stock.

8. **Person.** "Person" includes an individual, a partnership, a corporation and an association.

9. **Subchapter.** "This subchapter" means the "Uniform Agricultural Cooperative Association Act."

R.S.1954, c. 35, § 2.

§ 1775. Existing associations

Any existing association formed under any law of this State as a cooperative agricultural association may elect, by a vote of $\frac{2}{3}$ of the members voting thereon at a legal meeting, to secure the benefits of and be bound by this subchapter, and shall there-

upon amend such of its articles and bylaws as are not in conformity with this subchapter. A certificate of the action taken at such meeting shall be filed with the Secretary of State within 20 days after such meeting, and a fee of \$5 shall be paid.

R.S.1954, c. 35, § 22.

§ 1776. Use of word "cooperative"

No person, firm, corporation or association, domestic or foreign, hereafter commencing business in this State shall use the word "cooperative" as a part of its corporate or business name unless it has complied with this subchapter or some other statute of this State relating to cooperative associations. A foreign association organized under and complying with the cooperative law of the state of such association's creation shall be entitled to use the term "cooperative" in this State if it has obtained the privilege of doing business in this State.

R.S.1954, c. 35, § 24.

§ 1777. Foreign associations

A foreign corporation that can qualify as an association, as defined in section 1774, may be authorized to do business in this State under this subchapter by complying with the laws relating to foreign corporations doing business in the State. It shall pay the same fees and charges as domestic associations. Upon such compliance it shall have all the rights and privileges of like domestic associations.

R.S.1954, c. 35, § 25.

§ 1778. Inducing breach of contract; spreading false reports; penalty

Any person or any corporation whose officers or employees knowingly induce or attempt to induce any member or stockholder of an association to violate his marketing contract with the association, or who maliciously and knowingly spread false reports about the finances or management thereof, shall be guilty of a misdemeanor and shall be subject to a fine of not less than \$100 nor more than \$1,000 for each such offense; and shall be liable to the association aggrieved in a civil action in the penal sum of \$500 for each such offense.

R.S.1954, c. 35, § 18; 1961, c. 417, § 103.

§ 1779. License fees

Domestic associations and foreign associations admitted to do business in this State shall pay an annual license fee of \$10, which shall be in lieu of all other corporation and franchise taxes.

R.S.1954, c. 35, § 26.

§ 1780. Savings clause

This subchapter shall not impair or affect any act done, offense committed or right accruing, accrued or acquired, or liability, penalty, forfeiture or punishment incurred prior to July 21, 1945, but the same may be enjoyed, asserted, enforced, prosecuted or inflicted as fully and to the same extent as if this subchapter had not been passed.

R.S.1954, c. 35, § 23.

ARTICLE 2. ORGANIZATION AND POWERS**§ 1821. Incorporators**

Five or more adult persons, engaged in agriculture as bona fide producers of agricultural products, or 2 or more associations of such producers, may form an association with or without capital stock.

R.S.1954, c. 35, § 3.

§ 1822. Purposes

Such association may be organized for the purpose of engaging in any cooperative activity for producers of agricultural products in connection with:

1. Producing, selling, etc. Producing, assembling, marketing, buying or selling agricultural products, or harvesting, preserving, drying, processing, manufacturing, blending, canning, packing, ginning, grading, storing, warehousing, handling, shipping or utilizing such products, or manufacturing or marketing the by-products thereof;

2. Equipment, feed, fertilizer, etc. Manufacturing, buying for or supplying to its members and other patrons, machinery, equipment, feed, fertilizer, fuel, seeds and other agricultural and household supplies;

3. Business or educational services. Performing or furnishing business or educational services, on a cooperative basis, for or to its members and other patrons;

4. Financing. Financing any of the above enumerated activities for its members, subject to the limitations of Title 9, section 171, subsection 2. (1961, c. 385, § 14.)

R.S.1954, c. 35, § 4; 1961, c. 385, § 14.

§ 1823. Articles of incorporation

Articles of incorporation shall be signed by each of the incorporators and acknowledged by at least 3 of them if natural persons, and by the president and secretary if associations, before an officer authorized to take acknowledgments, and shall state:

1. Name. The name of the association which may or may not include the word "cooperative";

2. Purposes. Its purposes;

3. Duration. Its duration;

4. Location of office. The location and post-office address of its registered office in this State;

5. Name and address of incorporators; number of shares. The name and post-office address of the incorporators, and if organized with capital stock, a statement of the number of shares subscribed by each, which shall not be less than one, and the class of shares for which each subscribes;

6. Names and addresses of first directors. The names of the first directors and their post-office addresses;

7. With or without capital stock; if with, par value shares. Whether organized with or without capital stock; and if organized with capital stock the total authorized number of par value shares and the par value of each share, and if any of its shares have no par value, the authorized number of such shares; and if more than one class of stock is authorized, a description of the classes of shares, the number of shares in each class, the relative rights, preferences and restrictions granted to or imposed upon the shares of each class and the dividends to which each class shall be entitled;

8. If without, rights and interests of members. If organized without capital stock, whether the property rights and interests of each member are equal or unequal; if unequal, the rule by which such rights and interests shall be determined;

9. Other provisions. The articles may contain any other provisions, consistent with law for regulating the association's business or the conduct of its affairs, the establishment of voting districts, the election of delegates to represent such districts and the members residing therein, for voting by proxy, and issuance, retirement and transfer of memberships and stock.

R.S.1954, c. 35, § 5

§ 1824. Filing and recording certificate of incorporation

Before commencing business, the president, treasurer and a majority of the directors or trustees of every corporation organized under this subchapter shall prepare a certificate setting forth the articles of incorporation and the names and addresses of the officers, and shall sign and make oath to it. Said certificate shall be presented to the Attorney General accompanied by a copy thereof or by a data sheet containing all of the information required. After said certificate has been examined by the Attorney General, and been by him certified to be properly drawn and signed and to be conformable to the Constitution and laws, it shall be recorded in the registry of deeds in the county where said corporation is located, in a book kept for that purpose, and within 60 days after the day of the meeting at which such corporation is organized, a copy thereof certified by such register shall be filed in the office of the Secretary of State, who shall enter the date of filing thereon, and on the original certificate to be kept by the corporation and shall record said copy in a book kept for that purpose. A fee of \$5 shall be paid to the Attorney General and Secretary of State respectively, and registers of deeds shall receive for recording such certificate a fee of \$5.

R.S.1954, c. 35, § 6.

§ 1825. Amendment of articles

1. Procedure. An association may amend its articles of incorporation by the affirmative vote of $\frac{2}{3}$ of the members voting thereon at any regular meeting, or at a special meeting called for the purpose, or if the association permits its members to vote on the basis of patronage, by the affirmative vote of a majority of the members representing $\frac{2}{3}$ of the membership patronage voting thereon. A written or printed notice of the proposed amendment and of the time and place of holding such meetings shall be delivered to each member, or mailed to his last known address as shown by the books of the association, at least 30 days prior to any such meetings. No amendment affecting the preferential

rights of any outstanding stock shall be adopted until the written consent of the holders of $\frac{2}{3}$ of the outstanding preference shares has been obtained.

2. Certificate recorded. After an amendment has been adopted, a certificate shall be prepared setting forth the amendment and the adoption thereof, and shall be signed and sworn to by the president or vice-president and by the treasurer or secretary or assistant secretary, and filed, recorded and indorsed as in the case of original certificate of incorporation. For filing or recording an amendment to the articles, the association shall pay to the registers of deeds a fee of \$5, and a fee of \$5 shall be paid to the Attorney General and Secretary of State respectively.

R.S.1954, c. 35, § 7.

§ 1826. Bylaws

The members of the association may adopt bylaws not inconsistent with law or the articles, and they may alter and amend the same from time to time. The bylaws must be adopted by a majority of the members voting thereon, or if the association permits its members to vote on the basis of patronage, then by a majority of members and a majority of the patronage voting thereon. The bylaws may provide for:

1. Meetings; quorum. The time, place and manner of calling and conducting meetings of the members, and the number of members that shall constitute a quorum;

2. Manner of voting. The manner of voting and the condition upon which members may vote at general and special meetings and by mail or by delegates elected by district groups or other associations, and the voting power of votes based on patronage;

3. Provisions as to directors and officers. Subject to any provision thereon in the articles and in this subchapter, the number, qualifications, compensation, duties and terms of office of directors and officers; the time of their election and the mode and manner of giving notice thereof;

4. Meetings of directors and executive committee; quorum. The time, place and manner for calling and holding meetings of the directors and executive committee, and the number that shall constitute a quorum;

5. Rules. Rules consistent with law and the articles for the management of the association, the establishment of voting

districts, the making of contracts, the issuance, retirement and transfer of stock, and the relative rights, interests and preferences of members and shareholders;

6. Penalties. Penalties for violation of the bylaws.

R.S.1954, c. 35, § 8.

§ 1827. General and special meetings

An association may provide in its bylaws for one or more regular meetings each year, which may be held within or without the State at the time and place designated in the bylaws. Special meetings of the members may be called by the board of directors, and it shall be their duty to call such meetings when 10% of the members file with the secretary a petition demanding a special meeting and specifying the business to be considered at such meeting. Notice of all meetings, except as otherwise provided by law, or the articles or bylaws, shall be mailed to each member at least 10 days prior to the meeting, and in case of special meetings the notice shall state the purposes for which it is called, but the bylaws may require that all notices, except of proposed amendments to the articles, shall be given by publication in a periodical published by or for the association, to which substantially all its members are subscribers, or in a newspaper or newspapers whose combined circulation is general in the territory in which the association operates.

R.S.1954, c. 35, § 12.

§ 1828. Powers

1. Capacity to act. An association formed under this subchapter, or an association which might be formed under this subchapter and which existed at the time this act took effect, shall have the capacity to act possessed by natural persons, but such association shall have authority to perform only such acts as are necessary or proper to accomplish the purposes as set forth in its articles and which are not repugnant to law.

2. Authority. Without limiting or enlarging the grant of authority contained in subsection 1, it is specifically provided that every such association shall have authority:

A. To act as agent, broker or attorney in fact for its members and other patrons, and for any subsidiary or affiliated association, and otherwise to assist or join with associations engaged in any one or more of the activities authorized by

its articles, and to hold title for its members and other patrons and for subsidiary and affiliated associations to property handled or managed by the association on their behalf;

B. To make contracts, and to exercise by its board or duly authorized officers or agents, all such incidental powers as may be necessary, suitable or proper for the accomplishment of the purposes of the association and not inconsistent with law or its articles, and that may be conducive to or expedient for the interest or benefit of the association;

C. To make loans or advances to members or producer-patrons against products delivered or to be delivered to the association, or to the members of an association which is itself a member or subsidiary thereof; to purchase, otherwise acquire, indorse, discount or sell any evidence of debt, obligation or security, but it shall not engage in banking;

D. To establish and accumulate reserves;

E. To own and hold membership in or shares of the capital stock of other associations and corporations and the bonds or other obligations thereof, engaged in any related activity; or, in producing, warehousing or marketing or purchasing any of the products handled by the association; or, in financing its activities, and while the owner thereof, to exercise all the rights of ownership, including the right to vote thereon;

F. To acquire, hold, sell, dispose of, pledge or mortgage any property which its purposes may require, subject to any limitation prescribed by law or its articles;

G. To borrow money and to give its notes, bonds or other obligations therefor and secure the payment thereof by mortgage or pledge;

H. To deal in products of, and handle machinery, equipment, supplies and perform services for nonmembers to an amount not greater in annual value than such as are dealt in, handled or performed for or on behalf of its members, but the value of the annual purchases made for persons who are neither members nor producers shall not exceed 15% of the value of all its purchases;

I. To have a corporate seal and to alter the same at pleasure;

J. To continue as a corporation for the time limited in its articles, and if no time limit is specified, then perpetually;

K. To sue and be sued in its corporate name;

L. To conduct business in this State and elsewhere as may be permitted by law;

M. To dissolve and settle its affairs.

R.S.1954, c. 35, § 9.

§ 1829. Information and advice for members

1. Not in restraint of trade. No association complying with the terms hereof shall be deemed to be a conspiracy, or a combination in restraint of trade or an illegal monopoly; or be deemed to have been formed for the purpose of lessening competition or fixing prices arbitrarily, nor shall the contracts between the association and its members, or any agreements authorized in this subchapter, be construed as an unlawful restraint of trade or as part of a conspiracy or combination to accomplish an improper or illegal purpose or act.

2. Information. An association may acquire, exchange, interpret and disseminate to its members, to other cooperative associations and otherwise, past, present and prospective crop, market, statistical, economic and other similar information relating to the business of the association, either directly or through an agent created or selected by it or by other associations acting in conjunction with it.

3. Advice. An association may advise its members in respect to the adjustment of their current and prospective production of agricultural commodities and its relation to the prospective volume of consumption, selling prices and existing or potential surplus, to the end that every market may be served from the most convenient productive areas under a program of orderly marketing that will assure adequate supplies without undue enhancement of prices or the accumulation of any undue surplus.

R.S.1954, c. 35, § 19.

ARTICLE 3. OFFICERS AND DIRECTORS

§ 1871. Directors

1. Membership; term. The business of the association shall be managed by a board of not less than 3 directors. The directors shall be members of the association or officers, general managers, directors or members of a member association. A director shall hold office for the term for which he was named or elected and until his successor is elected and qualified.

2. Names; successors. The names of the first directors shall be stated in the articles. Their successors shall be elected by the members as prescribed by the articles or bylaws.

3. Duties, etc. prescribed by articles or bylaws. The number, qualifications, terms of office, manner of election, time and place of meeting and the powers and duties of the directors may, subject to this subchapter, be prescribed by the articles or bylaws.

4. District directors. The bylaws may provide, if not restricted by the articles, that the territory in which the association has members shall be divided into districts and that the directors shall be elected according to such districts, either directly or by district delegates elected by the members in that district. In such case, the bylaws shall specify or vest in the board of directors authority to determine the number of directors to be elected by each district and the manner and method of apportioning the directors and of districting and redistricting the territory covered by the association. The bylaws may provide that primary elections shall be held in each district to nominate the directors apportioned thereto and that the result of all such primary elections may be ratified by the next regular meeting of the association or may be considered as a final election.

5. Executive committee. The bylaws may provide for an executive committee to be elected by the board of directors from their number and may allot to such committee all the functions and powers of the board, subject to its general direction and control.

R.S.1954, c. 35, § 13.

§ 1872. —Removal

Any member may ask for the removal of a director by filing charges with the secretary or president of the association, together with a petition signed by 5% of the members requesting the removal of the director in question. The removal shall be voted upon at the next meeting of the members, and by $\frac{2}{3}$ of the voting power voting thereon the association may remove the director. The director whose removal is requested shall be served with a copy of the charges not less than 10 days prior to the meeting and shall have an opportunity at the meeting to be heard in person and by counsel and to present evidence. The persons requesting the removal shall have the same opportunity. In case the bylaws provide for election of directors by districts, then the petition for removal of a director must be signed by 20% of the

members residing in the district from which he was elected. The board must call a special meeting of the members residing in that district to consider the removal of the director, and by $\frac{2}{3}$ of the voting power of the members of that district voting thereon the director in question may be removed from office.

R.S.1954, c. 35, § 14.

§ 1873. Officers

The board shall elect a president, a secretary and a treasurer, and may elect one or more vice-presidents, and such other officers as may be authorized in the bylaws. The president and at least one of the vice-presidents must be members and directors, but a vice-president who is not a director cannot succeed to or fill the office of president. Any 2 of the offices of vice-president, secretary and treasurer may be combined in one person.

R.S.1954, c. 35, § 15.

§ 1874. —Removal

Any member may bring charges of misconduct or incompetency against an officer by filing them with the secretary or president of the association, together with a petition signed by 10% of the members requesting the removal of the officer in question. The directors shall vote upon the removal of the officer at the first meeting of the board held after the hearing on the charges, and the officer may be removed by a majority vote, notwithstanding any contract the officer may have with the association, which shall terminate upon his removal, anything in the contract to the contrary notwithstanding. The officer against whom such charges are made shall be served with a copy of the charges not less than 10 days prior to the meeting, and shall have an opportunity at the meeting to be heard in person and by counsel, and to present evidence, and the persons making the charges shall have the same opportunity.

R.S.1954, c. 35, § 16.

§ 1875. Referendum

The articles or bylaws may provide that upon demand of $\frac{2}{3}$ of all the directors, any matter of policy that has been approved or passed by the board must be referred to the members for their approval before it becomes effective. No referendum shall be allowed unless it is demanded by the required number of directors at the meeting at which the matter of policy in question is adopted.

R.S.1954, c. 35, § 17.

ARTICLE 4. MEMBERS AND SHARES

§ 1911. Members

1. Producers of agricultural products. An association may admit as members only bona fide producers of agricultural products, including tenants and landlords receiving a share of the crop, and cooperative associations of such producers. The incorporators named in the articles are thereby made members of the association, and they shall pay for their membership or stock the same amount and in the same manner as may be required in the case of other members.

2. Limit of common stock. The articles may limit the amount of common stock which a member may own.

3. Vote; liability. Under the terms and conditions prescribed in the bylaws, a member shall lose his vote if he ceases to belong to the class eligible to membership under this section, but he shall remain subject to any liability incurred by him while a member of the association.

4. Personal liability. No member shall be personally liable for any debt or liability of the association.

5. One vote. Unless the articles otherwise provide, no member shall have more than one vote.

6. Member defined. In agricultural associations organized under this subchapter the term "member" in associations without capital stock may, by the bylaws, include any agricultural producer, either corporate or individual, with whom the association shall do business, either directly or through a member cooperative association, amounting to at least \$100 during any fiscal year, and may, by the bylaws, include employees.

7. Requirements of statute met. Whenever under this subchapter an association is permitted to take any action, provided such action is authorized by a vote of the members or the vote of a specified proportion of the voting power based on patronage, the requirements of the statute shall be deemed to have been met by an association which has established voting districts and provided for the election of delegates, if such action is authorized by a vote of the delegates representing such members or such voting power.

R.S.1954, c. 35, § 10.

§ 1912. Certificates; transfers; dividends; preferred stock

1. Certificate for membership or stock. No certificate for membership or stock shall be issued until fully paid for, but by-laws may provide that a member may vote and hold office prior to payment in full for his membership or stock.

2. Dividends. Dividends in excess of 8% on the actual cash value of the consideration received by the association shall not be paid on common or preferred stock or membership capital, but dividends may be cumulative.

3. Net income distributed. Net income in excess of dividends and additions to reserves shall be distributed on the basis of patronage, and the books of the association shall show the interest of patrons in the reserves. The bylaws may provide that any distribution to a nonmember, eligible for membership, may be credited to such nonmember until the amount thereof equals the value of a membership certificate or a share of the association's common stock. The distribution credited to the account of a nonmember may be transferred to the reserve fund at the option of the board if, after 6 years, the amount is less than the value of the membership certificate or a share of common stock.

4. Value of member's interest after withdrawal or termination. The bylaws may fix a time within which a member shall receive from the association, after he has notified the association of his withdrawal, or after the adoption of a resolution by the board terminating his membership, the value in money of his membership interest in the association as appraised by the board of directors. If the board of directors approves the member's designation of a transferee of his membership interest, the association shall be under no obligation to pay him the value of his interest.

5. Preferred stock. An association may issue preferred stock to members and nonmembers. Preferred stock may be redeemed or retired by the association on such terms and conditions as may be provided in the articles and printed on the stock certificate. Preferred stockholders shall not be entitled to vote, but no change in their priority or preference rights shall be effective until the written consent of the holders of $\frac{2}{3}$ of the preferred stock has been obtained. Payment for preferred stock may be made in cash, services or property on the basis of the fair value of the stock, services and property as determined by the board.

R.S.1954, c. 35, § 11.

ARTICLE 5. CONSOLIDATION AND DISSOLUTION

§ 1951. Consolidation procedure

Any 2 or more associations organized with or without capital stock and existing under this subchapter may consolidate into a single association which may be either one or any one of said associations, or a new association under this subchapter to be formed by means of such consolidation. Such a consolidation may be effected by a vote of the directors, trustees or managing board, however designated, of each of said associations at a legal meeting thereof ratifying a proposed agreement of consolidation and approved by the affirmative vote of $\frac{2}{3}$ of the members of each of said associations voting thereon at any regular meeting or at a special meeting called for the purpose, which agreement shall then be submitted to the Attorney General for his certification as conformable to the laws of this State and when certified by him shall then be recorded in the registry of deeds in the county where the consolidated association is located and in the county or counties where each of the constituent associations is located and a copy thereof certified by the register of deeds shall be filed in the office of the Secretary of State. When said agreement is so certified, recorded and filed, the separate existence of all of the constituent associations, or all of such constituent associations except the one into which such constituent associations shall have been consolidated, shall cease and the constituent associations, whether consolidated into a new association or merged into one of such constituent associations, as the case may be, shall become the consolidated association by the name provided in said agreement, possessing all the rights, privileges, powers, franchises and immunities as well of a public as of a private nature, and being subject to all the liabilities, restrictions and duties of each of such associations so consolidated and all and singular the rights, privileges, powers, franchises and immunities of each of said associations, and all property, real, personal and mixed, and all debts due to any of said constituent associations on whatever account, and all other things in action of or belonging to each of said associations shall be vested in the consolidated association. All property, rights, privileges, powers, franchises and immunities, and all and every other interest shall be thereafter as effectually the property of the consolidated association as they were of the several and respective constituent associations, and the title to any real estate, whether by deed or otherwise, under the laws of this State, vested in any of such constituent associations,

shall not revert or be in any way impaired by reason thereof. All rights of creditors and all liens upon the property of any of said constituent associations shall be preserved unimpaired, limited to the property affected by such liens at the time of the consolidation, and all debts, liabilities and duties of the respective constituent associations shall henceforth attach to said consolidated association and may be enforced against it to the same extent as if said debts, liabilities and duties had been incurred or contracted by it.

R.S.1954, c. 35, § 20.

§ 1952. Voluntary dissolution

1. Dissolution.

A. The members of an association may at any regular meeting, or any special meeting called for the purpose, upon 30 days' notice of the time, place and object of the meeting having been given as prescribed in the bylaws, by $\frac{2}{3}$ of the voting power voting thereon, discontinue the operations of the association and direct that the association be dissolved and its affairs settled. The meeting shall by like vote designate a committee of 3 members who, as trustees on behalf of the association and within the time fixed in their designation or any extension thereof, shall liquidate its assets, pay its debts and divide any remainder among the members or other patrons in accordance with their respective rights and interests under their contracts with the association and the articles and bylaws. Upon final settlement by such trustees, the association shall be deemed dissolved and shall cease to exist. The trustees shall make a report, in quadruplicate, of the proceedings had under this section, which shall be signed and sworn to and filed as required for the filing of the articles of incorporation.

B. The trustees may bring and defend all actions by them deemed necessary to protect and enforce the rights of the association.

C. Any vacancies in the trusteeship may be filled by the remaining trustees.

2. Power of courts. In the case of an association dissolving pursuant to this section, the Superior Court, upon the petition of the trustees or a majority of them, or a proper case upon the petition of a creditor or member, or upon the petition of the Attorney General, upon notice to all of the trustees and to such

other interested persons as the court may specify, from time to time may order and adjudge in respect to the following matters:

- A.** The giving of notice by publication or otherwise of the time and place for the presentation of all claims and demands against the association, which notice may require all creditors of and claimants against the association to present in writing and in detail at the place specified in their respective accounts and demands to the trustees by a day therein specified, which shall not be less than 40 days from the service or first publication of such notice;
- B.** The payment or satisfaction in whole or in part of claims and demands against the association or the retention of moneys for such purpose;
- C.** The presentation and filing of intermediate and final accounts of the trustees, the hearing thereon, the allowance or disallowance thereof and the discharge of the trustees, or any of them, from their duties and liabilities;
- D.** The administration of any trust or the disposition of any property held in trust by or for the association;
- E.** The sale and disposition of any remaining property of the association and the distribution or division of such property or its proceeds among the members or persons entitled thereto;
- F.** Such matters as justice may require.

1961, c. 417, § 104.

3. Orders and judgments binding. All orders and judgments shall be binding upon the association, its property and assets, its trustees, members, creditors and all claimants against it.

4. Application of section. This section shall apply to all associations heretofore or hereafter incorporated in this State.

R.S.1954, c. 35, § 21; 1961, c. 417, § 104.