

## No. 236

## AN ACT

To provide for the incorporation and regulation of cooperative agricultural credit associations having capital stock; and defining the limitations, powers and duties of such associations.

Section 1. Be it enacted, &c., That coöperative agricultural credit associations having capital stock may be formed under the provisions of this act by any number of persons, not less than five, all of whom are members of associations organized under the provisions of the act, approved the twelfth day of June, one thousand nine hundred and nineteen (Pamphlet Laws, four hundred sixty-six), entitled "An act to provide for the incorporation and regulation of coöperative agricultural associations not having a capital stock and not conducted for profit, and defining agriculture so as to include persons engaged in agriculture, dairying, livestock raising, poultry raising, beekeeping, and horticulture," as amended, and the act, approved the thirtieth day of April, one thousand nine hundred and twenty-nine (Pamphlet Laws, eight hundred eighty-five), entitled "An act to provide for the incorporation and regulation of coöperative agricultural associations having capital stock; and defining agriculture so as to include persons engaged in agriculture, dairying, livestock raising, poultry raising, horticulture, mushroom growing, beekeeping, horticulture, and other allied occupations; and providing penalties," as amended.

Cooperative  
agricultural  
credit  
associations.

Organizers.

Section 2. (a) Each coöperative agricultural credit association shall have power to act as an agency to enable coöperative agricultural associations which are members or stockholders of such credit association, and the members and stockholders of such coöperative agricultural associations, to obtain loans from the Federal Intermediate Credit Banks, under and pursuant to an act of Congress approved the fourth day of March, one thousand nine hundred and twenty-three, Chapter eight of Title twelve of the Code of Laws of the United States, as adopted by Congress the thirtieth day of June, one thousand nine hundred and twenty-six, and amendments thereto, and from the Reconstruction Finance Corporation, created by an act of Congress approved the twenty-second day of January, one thousand nine hundred and thirty-two, and known as the "Reconstruction Finance Corporation Act," and the amendments, extensions, and supplements thereto.

Credit asso-  
ciation as an  
agency to  
obtain Federal  
loans.

(b) Any coöperative agricultural credit association shall have power to make loans to members or stockholders of a coöperative agricultural association which is the owner, in whole or in part, of the stock of the coöperative agricultural credit association, and no loans shall be made except to such person or to such coöperative agricultural association. No loan shall be made for

Loans to  
members of  
cooperative  
agricultural  
associations.

Term and  
purpose of  
loans.

more than three years, nor for other than agricultural, dairy, poultry, or horticultural purposes of the borrower; and, in all cases, there shall be a written statement by the borrower in the note or collateral agreement, if any, or signed application for the loan, to the effect that the loan will be used only for such purposes, and such statement shall be relied upon by the lending association. The coöperative agriculture credit association may discount or pledge such notes with a Federal Intermediate Credit Bank or with the Reconstruction Finance Corporation, with its guaranty or endorsement.

Discount or  
pledge of notes.

Investment of  
funds.

Hypothecation of  
securities.

Articles of  
association.

(c) A coöperative agricultural credit association may invest its capital funds in bonds or obligations of the United States, or of the Commonwealth of Pennsylvania, or of any municipality therein, or in obligations of a Federal Intermediate Credit Bank or of the Reconstruction Finance Corporation, and may deposit or hypothecate such securities with a Federal Intermediate Credit Bank or the Reconstruction Finance Corporation as security for notes discounted by either.

Section 3. To form a coöperative agricultural credit association, articles of association shall be subscribed by five or more qualified persons, three of whom must be citizens of this Commonwealth, and shall set forth:

I. The name of the association, which shall include the words "coöperative credit."

II. The class of services to be performed by the association, which services shall be one or more of those enumerated in section two of this act.

III. The principal place where its business is to be transacted, which shall be within this Commonwealth.

IV. The term for which it is to exist.

V. The amount of its capital stock, and the number and par value of shares into which it is divided, the names and post-office addresses of the subscribers, the number of shares subscribed by each, and the amount of capital actually paid into the treasury, which shall not be less than ten per centum of the capital stock.

VI. The names and residences of not less than five persons who are chosen for the first directors, and the name and residence of the treasurer.

Notice of  
intention to  
present articles  
to Governor.

Section 4. The incorporators shall advertise their intention to present articles of association to the Governor one time in one newspaper of general circulation and the legal newspaper, if any, defined by the Newspaper Advertising Act of May sixteenth, one thousand nine hundred and twenty-nine (Pamphlet Laws, page one thousand seven hundred eighty-four), printed in the county where the initial principal place of business of the corporation is to be situated, setting forth briefly the character and purpose of the corporation and the kind of service to be performed by it. Advertisements shall appear at least three days before the articles of association are presented to the Governor.

The articles of association shall be acknowledged by not less than five of the subscribers thereto, before any officer authorized to take acknowledgments and administer oaths and affirmations in this Commonwealth, and they shall also make and subscribe an oath or affirmation before said officer that the statements contained therein are true.

Acknowledgment  
and affidavit.

The articles of association, accompanied with proof of the advertisement hereinbefore required by this section, shall then be presented to the Governor of this Commonwealth, who shall examine the same, and, if he finds them in proper form and within the purpose mentioned in this act, he shall indorse his approval thereon, and direct letters patent to issue in form similar to those issued to corporations of the second class in this Commonwealth, which letters patent shall incorporate the subscribers and their associates and successors into a body politic and corporate, in deed and in law, by the name chosen. The articles of association shall be recorded in the office of the Secretary of the Commonwealth in a book to be by him kept for the purpose.

Presentation of  
articles.

Letters patent.

Articles to be  
recorded in  
office of  
Secretary of  
Commonwealth.

The original articles of association, together with all indorsements, shall be recorded in the office of the recorder of deeds in and for the county where the principal place of business is situate. From thenceforth the subscribers thereto, their associates and successors, shall be a body politic and corporate for the purposes and upon the terms named in the articles of association. Certified copies of the records thereof shall be competent evidence for all purposes in the courts of this Commonwealth.

To be recorded in  
office of recorder  
of deeds.

Section 5. Each coöperative agricultural credit association shall have power:

Powers.

1. To have succession for the period limited in its articles of association, and, when no period is limited thereby, to exist perpetually, subject to the power of the General Assembly under the Constitution of the Commonwealth, and unless sooner dissolved by operation of law or under the provisions of this act.

2. To maintain and defend judicial proceedings by the name specified in the articles of association.

3. To adopt and use a common seal and alter the same at pleasure.

4. To hold, purchase, and transfer such real and personal property as the purposes of the corporation require.

5. To elect a board of directors, which shall have power to appoint a president, vice-president, secretary, treasurer, and other officers, agents, and employes which may be deemed necessary, to prescribe their duties, to require bonds of them, and to dismiss them and any of them in accordance with the by-laws of the association.

6. To make by-laws, not inconsistent with law, for the management of its property, the regulation of its

affairs, and the conduct and management of the association.

7. To perform for coöperative agricultural associations which are members or stockholders of such credit association, and the stockholders and members of such coöperative agricultural associations, the service described in the articles of association and authorized by this act.

8. To make contracts necessary in the conduct of its operation and the transaction of its affairs.

9. To borrow money necessary to the conduct of its operations, and to issue notes, bonds, and other evidences of indebtedness therefor, and to give security in the form of mortgage, or otherwise, for the payment thereof.

10. To coöperate with any other such association or corporation, whether formed under this act or otherwise, for the purpose of promoting the objects for which it was incorporated, or the objects for which any other similar association was formed. Any such association may, upon resolution adopted by its board of directors, enter into all necessary and proper contracts and agreements and make all necessary and proper stipulations, agreements, contracts, and arrangements with any other coöperative corporation, association or associations, formed under the provisions of this act or otherwise, for the coöperative and more economical carrying on of its business, or any part or parts thereof; or any two or more coöperative associations, formed under the provisions of this act or otherwise, may, upon resolutions adopted by their respective boards of directors, for the purpose of more economically carrying on their respective businesses, by agreement between them, unite in employing and using, or several such associations may separately employ and use, the same methods, means, and agencies, which agencies may be another such association or associations for carrying on and conducting their respective business.

11. To exercise such incidental powers as may be necessary in the conduct of its operations.

12. To issue and sell its preferred and common stock.

Preferred stock.

Section 6. Any coöperative agricultural credit association may issue and sell its preferred stock to any person, copartnership, association, or corporation, which stock may be redeemable or retireable by the association on such terms and conditions as may be provided for in its articles of association and printed on the stock certificate, but common stock of the association shall be sold to and owned only by one or more coöperative agricultural associations, organized and existing under the provisions of the act, approved the twelfth day of June, one thousand nine hundred and nineteen (Pamphlet Laws, four hundred sixty-six), entitled "An act to provide for the incorporation and regulation of coöperative agricultural associations not having a capital stock and

Common stock.

not conducted for profit, and defining agriculture so as to include persons engaged in agriculture, dairying, live-stock raising, poultry raising, beekeeping, and horticulture," and its amendments, or organized and existing under the provisions of the act, approved the thirtieth day of April, one thousand nine hundred and twenty-nine (Pamphlet Laws, eight hundred eighty-five), entitled "An act to provide for the incorporation and regulation of coöperative agricultural associations having capital stock; and defining agriculture so as to include persons engaged in agriculture, dairying, livestock raising, poultry raising, floriculture, mushroom growing, beekeeping, horticulture, and other allied occupations; and providing penalties," and its amendments. Dividends on preferred stock shall be not greater than six per centum per annum, and shall be cumulative.

Dividends on preferred stock.

At any time, as specified in the by-laws, except when its capital is impaired thereby and the debts of the association exceed fifty per centum of the assets thereof, the association may purchase its preferred stock at the book value thereof, as conclusively determined by its board of directors, and pay for the same in cash within one year thereafter. Preferred stock shall be non-voting.

Purchase of own preferred stock.

Every coöperative association which owns common stock issued by an association organized under the provisions of this act may vote such stock by proxy.

Common stock may be voted by proxy.

Section 7. Every coöperative agricultural credit corporation may purchase stock or property or any interest in any property of any person, copartnership, association, or corporation, and may discharge the obligations so incurred, wholly or in part, by exchanging for the acquired interest shares of its preferred stock to an amount which, at par value, would equal the fair market value of the stock or interest so purchased, as determined by its board of directors.

Exchange of preferred stock in discharge of obligations.

Such association shall have the right to hold, own, and exercise all rights of ownership in, and to sell, transfer, or pledge, shares of capital stock or bonds of any corporation engaged in any related activity to the purposes and operations of said association, including, but not thereby limiting such powers, the warehousing, handling, or marketing, in whole or in part, of any of the products handled by the corporation.

Ownership of stock or bonds of corporations of related activities.

Section 8. Within thirty days after the recording of the articles of association in the office of the recorder of deeds, as heretofore required in this act, a call, signed by not less than a majority of the directors, shall be issued for a meeting of the common stockholders. At such meeting, or any adjourned session or sessions thereof, by-laws regulating and conducting the management of the association shall be adopted. Such by-laws shall, within the limits of this act, prescribe—

Meeting of common stockholders.

Adoption of by-laws.

Provisions.

1. The time, place and manner of calling and holding meetings.

2. The number of directors, the time and manner of their election, and their powers and duties, and the number, not less than a majority, necessary to the exercise of their powers, and the method of fixing their compensation, if any.

3. The officers, their terms of office, the time and manner of their appointment and removal, their powers and duties, and the method of fixing their compensation, if any.

4. Regulations governing the sale, transfer, and redemption of common stock.

5. Any other provisions proper and necessary to carry out the purposes for which the association was formed.

6. Such by-laws shall provide the method or methods by which the by-laws may, from time to time, be amended: Provided, however, That notice of all proposed amendments shall be given to each stockholder, in writing, at least twenty days before action shall be taken on the contemplated change.

Board of directors.

Section 9. The board of directors of each coöperative agricultural credit association shall consist of not less than five members, who shall be members or stockholders of one or more of the coöperative associations which own the common stock of the association. At the first regular meeting of the association, a quorum, as specified by the by-laws, being present, the common stockholders shall elect the directors. Directors shall hold office until their successors have been elected and qualified and until their successors shall enter upon the discharge of their duties. Vacancies in the board of directors shall be filled for the unexpired terms by a majority of the remaining members of the board of directors at any regular meeting, or at any special meeting called for the purpose. The board of directors shall manage the affairs of the association, and shall perform such other duties as may be specifically imposed upon the board by this act. The board of directors shall be a continuing body; the terms of one-third, or as near as may be, of whom shall expire each year, and the by-laws of the association shall so prescribe and regulate the terms of directors, including the terms of additional directors that may be authorized from time to time, as to make effective this principle.

Removal of directors.

Section 10. Any director of a coöperative agricultural credit association may, for cause, at any regular meeting, or any special meeting of the stockholders called for the purpose, be removed from office by a two-thirds vote of the holders of the outstanding stock entitled to vote at an election of directors. Ten days' written notice of the time, place, and object of any such meeting shall be given, in the manner prescribed in the by-laws, to all the common stockholders, and to the directors against whom charges are to be presented. Such directors shall, at the same time, be informed of the nature of the charges to be preferred against them, and at such meeting shall

Notice.

Charges and hearing.

have an opportunity to be heard in person, or by counsel, and by witnesses in regard thereto.

Section 11. The officers of every coöperative agricultural credit association shall include a president, vice-president, secretary, and treasurer, who shall be appointed annually by the board of directors. The president and vice-president shall be appointed from among the directors. The secretary and treasurer need not be stockholders. The office of secretary and treasurer may be combined and one individual appointed thereto. Vacancies in said offices shall be filled for the unexpired term by the board of directors in the manner provided for the original appointment of officers. Such officers shall hold their offices until their successors are appointed and qualified and shall have entered upon the discharge of their duties. The board of directors shall require the treasurer, and may require such other officers, agents, and employes charged by the association with responsibility for the custody of funds or property, to give bond, with sufficient surety, for the faithful performance of their duties as such, the premium on such bond to be paid by the association.

Officers.

Vacancies.

Term.

Bond.

Section 12. At the close of each fiscal year, a complete audit of the operations of every coöperative agricultural credit association shall be made by a qualified accountant or accountants, employed by the board of directors, the written report of whom shall include statements of services rendered by the association, the balance sheet, the receipts and disbursements and the assets and liabilities, the total number of stockholders, and other proper information, and shall be submitted to the stockholders at the next regular meeting. Within three months after the expiration of the fiscal year for which made, the secretary of said association shall file one copy of said report of the audit with the Secretary of Agriculture of this Commonwealth and one copy with the Dean of the School of Agriculture of the Pennsylvania State College. No person shall, without consent of the association, except in obedience to judicial process, make or permit any disclosure whereby any information contained in said report may be identified as having been furnished by said association.

Audit and auditor's report.

Filing report.

Disclosure of information.

Section 13. The articles of association of a coöperative agricultural credit association may be amended pursuant to an affirmative vote of two-thirds of all the common stock voted at any regular meeting, or at a special meeting called for the purpose, due notice of the time, place, and object of which regular or special meeting shall have been given as prescribed in the by-laws. Articles of amendment, signed and acknowledged by not less than three of the directors, and setting forth the name and the location of the principal office of the association, and the desired amendment, shall be presented to the Governor of the State of Pennsylvania, who shall

Amendment of articles of association.

- Recordations. examine the same, and, if he finds them to be in proper form and within the provisions of this act, he shall indorse his approval thereon. The articles of amendment shall then be recorded in the office of the Secretary of the Commonwealth in a book to be by him kept for the purpose. The articles amendment, together with the indorsements thereon, shall then be recorded in the office for the recording of deeds in the county where the principal place of business is situate.
- Dissolution. Section 14. Any association may cease to do business and be dissolved in the same manner as corporations of the second class are dissolved under the general corporation laws of the Commonwealth.
- Exemption from State taxation. Section 15. No association organized under the provisions of this act shall be liable for the payment of any State tax upon its capital stock, or upon any scrip, bonds, certificates, or other evidences of indebtedness issued by such corporation, and all stocks, bonds, et cetera, issued by such associations shall be exempt from all State taxation; and such associations shall not be required to file with the Department of Revenue of this Commonwealth the reports relative to such taxes as are or may be by law required of corporations not exempt from the payment of such taxes.
- Associations not required to file reports. Section 16. If any clause, sentence, paragraph or part of this act shall, for any reason, be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair or invalidate the remainder thereof, but shall be confined in its operation to the clause, sentence, paragraph or part thereof directly involved in the controversy in which said judgment shall have been rendered.
- Severability. Section 17. All acts or parts of acts inconsistent herewith are hereby repealed.
- Repeal. Section 18. This act shall become effective immediately upon final enactment.
- When effective.

APPROVED—The 25th day of May, A. D. 1933.

GIFFORD PINCHOT

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No. 237

### A JOINT RESOLUTION

Continuing the joint legislative committee created to study the production and marketing of milk.

Legislative committee to study production and marketing of milk. Section 1. Be it resolved by the Senate and House of Representatives of the Commonwealth of Pennsylvania in General Assembly met, That the joint legislative committee created by concurrent resolution, serial number one hundred and thirteen, as supplemented by concurrent resolution, serial number one hundred and thirteen A, at the session of the General Assembly of