

vote, appoint three persons as county civil service commissioners to serve for designated terms of one for two years, one for four years, and one for six years. Each alternate year thereafter the board of county commissioners shall appoint one person as successor for the county civil service commissioner whose term shall expire, to serve six years. Any vacancies shall be filled by the board of county commissioners for the unexpired term. No person shall be appointed or shall act as a member of the county civil service commission at any time while holding any public office or while standing as a candidate for any public office, notary public excepted, or any public employment or position in a political party within the two years immediately preceding his appointment. Each member of said commission shall be a resident in the county and in the event he becomes a non-resident, he thereby forfeits his office. Within 15 days after *his appointment*, each commissioner shall qualify by subscribing to an oath for the faithful discharge of his duties and file said oath with said clerk of the district court and such oath shall include a statement of belief in and desire to support the principles of the merit system. If an appointee fails to so qualify, another shall be named in his stead. Each commissioner shall hold office until his successor has been appointed and qualified, except in case a commissioner shall stand as a candidate for elective public office, whereupon filing his candidacy he thereby automatically forfeits his office. Each member of the county civil service commission shall be paid \$10.00 per day for each day actually devoted to duties as a member of the commission, but in no case shall any member be paid more than \$300.00 in any one year; provided that in addition thereto each member of the commission shall be paid his actual and necessary expenses on itemized and verified bills, and provided further that during the first two years after any county has availed itself of this act, each member of the commission may be paid not to exceed \$500.00 in each of said two years. The county civil service commission shall organize by electing one of its members as presiding officer and the civil service director hereinafter provided shall serve as secretary.

Approved March 26, 1949.

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#### CHAPTER 199—H. F. No. 836

*An act relating to cooperative Associations and amending Minnesota Statutes 1945, Sections 308.05, 308.06, 308.07,*

*308.09, as amended by Laws 1947, Chapter 61, Section 1, and Laws 1947, Chapter 354, Section 1, 308.10, 308.11 and 308.12. Be it enacted by the Legislature of the State of Minnesota:*

Section 1. Minnesota Statutes 1945, Section 308.05, is amended to read as follows:

**308.05. Who may organize cooperative associations; purposes; powers.** A cooperative association may be formed for the purpose of conducting any agricultural, dairy, marketing, transportation, warehousing, commission, contracting, building, mining, telephone, manufacturing, or any mechanical, mercantile or electrical heat, light or power business, or for all such purposes or for any other lawful purpose, upon the cooperative plan; and, in addition to other powers, such cooperative association shall have the power either as agent or otherwise, to buy, sell, or deal in its own products, the products of its individual members or patrons, the products of any other cooperative association or of its members or patrons. It shall be lawful for such cooperative association to sell its own products, as well as the products of its members or patrons for them, or the products of any other cooperative association or of its members or patrons for them, as the case may be, either individually or collectively, and to negotiate the price at which such products may be sold either for itself or for its members or patrons, or such other cooperative association and its members or patrons, individually or collectively, as the case may be; also to enter into or become a party to any contract or agreement either for itself or for its individual members or patrons, or between it and its member. For the purposes above stated such cooperative association shall have the power and authority, as a corporation, to purchase and hold, lease, mortgage, encumber, sell, exchange, and convey such real estate, buildings, and personal property as the business of the association may require, also to erect buildings or other structures or facilities upon its own lands or leased grounds, or upon right of way legally acquired by such cooperative association. Such cooperative association shall have the power and authority to issue bonds or other evidence of indebtedness and to borrow money to finance the business of the association, or to make advances to its members or patrons upon produce delivered by such members or patrons to the association. For the purpose of empowering and authorizing cooperative associations incorporated under the provisions of sections 308.05 to 308.18 to join with other cooperative associations in this state or other states, whether incorporated

under those sections or under the laws of any other state, to form district, state, or national organizations or market agencies, any cooperative association incorporated under those sections, by vote of the governing board thereof may purchase, acquire, hold, or dispose of the stock of any other cooperative association or corporation, whether incorporated under those sections or under the laws of any other state, and assume all rights, interests, privileges, responsibilities, and obligations arising out of the ownership of such stock. A cooperative association incorporated under those sections shall also have the power and authority, either for itself or for its individual members or patrons, to do and perform every act and thing necessary or proper to the conduct of its business or the accomplishment of the purposes set forth in those sections; and, in addition, any other rights, powers, or privileges granted by the laws of this state to ordinary corporations, except such as are inconsistent with the expressed provisions of those sections.

A cooperative association incorporated under sections 308.05 to 308.18, constituted wholly or partially of other cooperative associations organized under those sections or under the laws of this or any other state, shall have the power to accept deposits of money or securities from such cooperative associations, to loan or borrow upon such security as it may consider sufficient in dealing with its member cooperatives and to exercise any and all fiduciary powers in its relations with such cooperatives as constitute its membership.

No corporation or association hereafter organized in this state shall be entitled or permitted to use the term "cooperative" as part of its corporate or business name or title, or to represent itself as a cooperative association, unless it has complied with the provisions of sections 308.05 to 308.18, or any other law of this state now existing or hereafter enacted providing for the incorporation of cooperative associations. Any corporation or association which violates this provision shall be guilty of a misdemeanor.

Sec. 2. Minnesota Statutes 1945, Section 308.06, is amended to read as follows:

**308.06. Incorporators, number; articles of incorporation; filing.** A cooperative association may be organized under the provisions of sections 308.05 to 308.18 by five or more incorporators, who may act for themselves as individuals or as the

agents of other cooperative associations, whether organized under sections 308.05 to 308.18 or otherwise.

Persons forming a cooperative association under sections 308.05 to 308.18 shall sign and acknowledge written articles of incorporation. The articles of incorporation of any association organized under or subject to the provisions hereof shall always contain provisions specifying (1) the name of the association, its purpose, the general nature of its business, and the principal place of transacting the same. Such name shall distinguish it from all other corporations, domestic or foreign, doing business in the state and shall be preserved to it during its corporate existence; (2) the period of its duration, which shall not exceed 50 years in the first instance, but the articles of incorporation may from time to time be amended so as to provide for an additional term or terms not exceeding 50 years each; (3) if organized on a capital stock basis the total authorized number of shares and the par value of each share; a description of the classes of shares, if the shares are to be classified; a statement of the number of shares in each class and relative rights, preferences, and restrictions granted to or imposed upon the shares of each class, and a provision that only common stockholders shall have voting power; (4) that individuals owning common stock shall be restricted to one vote in the affairs of the association; (5) that shares of stock shall be transferable only with the approval of the board of directors of the association; (6) that dividends upon capital stock of the association shall not exceed six per cent annually; (7) in what governing board its management shall be vested, the time of the annual meeting of the stockholders at which such governing boards shall be elected, and the names and places of residence of those who shall compose such governing board until the first annual meeting of the stockholders; and (8) that net income in excess of dividends and additions to reserves and surplus shall be distributed on the basis of patronage, and that the records of the association may show the interest of patrons, stockholders and members in the reserves and surplus. The articles of incorporation may contain any other lawful provision. Cooperative associations may be incorporated for any of the purposes for which an association may also be formed upon a membership basis and without capital stock. Such associations organized on a capital stock basis may be organized, and shall have the same powers and authority as are conferred upon such associations, and the articles of incorporation of any such non-stock associations shall contain the provisions re-

quired in the articles of incorporation of an association organized upon a capital stock basis wherever the same are applicable to an association organized upon a membership basis. No member of an association organized upon a membership basis shall have more than one vote. Common stockholders shall be deemed to be members of associations organized on a capital stock basis.

Cooperative associations organized under or subject to the provisions hereof shall be subject to the provision of Chapter 80, except as specifically provided in section 80.05.

The original articles of incorporation, or a certified copy thereof, verified as such by the affidavits of two of the incorporators, shall be filed with the secretary of state and a copy thereof, certified as above required, shall be recorded in the office of the register of deeds of the county in which the principal place of business of the association is located. For filing the articles of incorporation, or amendments thereto, with the secretary of state there shall be paid to the state treasurer a fee of \$5.00.

Sec. 3. Minnesota Statutes 1945, Section 308.07, is amended to read as follows:

**308.07. Capital, limits of interest, vote.** The amount of the authorized capital stock and the number of shares may be increased or diminished at any regular meeting of the stockholders of the association or at any special meeting of the stockholders called for such purposes, in the manner hereinafter provided for amending the articles of incorporation.

The association may commence business whenever 10 per cent of the authorized capital stock has been subscribed and paid in and the amount of the capital stock outstanding shall at no time be diminished below 10 per cent of the amount of the authorized capital. No share shall be issued for less than its par value nor until the same has been paid for in cash or its equivalent.

Any cooperative association organized under sections 308.05 to 308.18 may acquire and hold stock in any other corporation organized under any law of this state or of any other state of the United States, the purpose of which may be a federation of cooperative associations or for the purpose of

forming a district, state, or national marketing, sales, or service agency or for the purpose of acquiring marketing facilities at terminal or other markets in this state or other states. A stockholder in any cooperative association organized under those sections shall not be entitled to more than one vote which shall be in person, or by mail, as hereinafter provided, and not by proxy, except that any such cooperative association that is a stockholder in any other corporation shall have the power and authority, by its board of directors or by its stockholders, to elect or appoint any person to represent it at any meeting of the stockholders of any corporation in which it owns stock and the person so elected or appointed shall have full power and authority to represent such cooperative association and also to cast its vote or votes at any such meeting.

In cooperative associations wholly or partially constituted of other cooperative associations organized under sections 308.05 to 308.18 or under the laws of this or any other state, each affiliated member cooperative shall have an additional vote for a certain stipulated volume of business done by it with its central organization or a certain stipulated number of members in such associations, to be determined in either or both cases by the articles and by-laws of the central association.

Any cooperative association may group its members or stockholders in *districts*, local units or *on such* other basis as may be *provided in* the articles or by-laws of the association.

*Where districts or other local units are so created, the by-laws may provide for the election of all or part of the directors upon a district or unit basis, in which event directors may be nominated, or nominated and elected, by the members of the district or unit from their own number, and directors so elected may be removed for cause only by the vote of the members of the district or unit from which they were elected. Nothing herein contained shall prevent any cooperative association from providing for the election and removal of directors in any other lawful manner.*

Each unit of a central association shall be entitled to be represented at any and all stockholders' meetings of the central association by delegates of their own choosing and such delegates shall exercise the same powers at such stockholders' meetings as any shareholder of the central association may exercise on such basis of voting rights as is provided for

in the articles and by-laws of the central association pertaining to such shareholders.

The directors of the central association shall have the power to do all things necessary to give full force and effect to this section including the power to fix the time and place and rules of conduct for the holding of meetings by such units for the purpose of their electing a delegate or delegates to all stockholders' meetings of the central association.

Stock in any cooperative association organized under sections 308.05 to 308.18 shall be sold or transferred only with the consent and approval of the board of directors and the by-laws of such cooperative association shall provide that it shall have the first privilege of purchasing stock offered for sale by any stockholder. Any stock so acquired by the board of directors for such cooperative association may be held as treasury stock or may be retired and canceled. Any stockholder who knowingly, intentionally, or repeatedly violates a provision of the by-laws adopted by any cooperative association organized under those sections may be required by the board of directors of the cooperative association to forfeit his stock, in which case the association shall refund to the stockholder the par value of his stock or in case the book value of such stock shall be greater or lesser than the par value, the stockholder shall be paid the amount of the book value of the stock. Stock so forfeited shall be retired and canceled by the board of directors and such stockholders shall thereafter have no rights, privileges or benefits in such cooperative association.

Any stockholder who is absent from any meeting of the stockholders of any association organized under the provisions of these sections may, as herein provided but not otherwise, vote by mail on the ballot herein prescribed upon any motion, resolution, or amendment to be acted upon at such meeting. Such ballot may be in the form prescribed by the board of directors of such association and shall contain the exact text of the proposed motion, resolution, or amendment to be acted upon at such meeting and the date of the meeting; and shall also contain spaces opposite the text of such motion, resolution, or amendment in which such stockholder may indicate his affirmative or negative vote thereon. Such stockholder shall express his choice by marking an "X" in the appropriate space upon such ballot. Such ballot shall be certified to and signed by the stockholder, if an individual, or, if a corporation,

by the president or secretary thereof, and when received by the secretary of the association holding the meeting, shall be accepted and counted as the vote of such absent stockholder at such meeting.

Sec. 4. Minnesota Statutes 1945, Section 308.09, as amended by Laws 1947, Chapter 61, Section 1, and Laws 1947, Chapter 354, Section 1, is amended to read as follows:

**308.09. Stockholders meetings; regular and special.**  
**Subdivision 1. Meetings; notice.** Regular meetings of the stockholders of cooperative associations organized under sections 308.05 to 308.18 shall be held annually, at the principal place of business of the association, or at any other place conveniently located within the area served by it, or, in the case of cooperative associations wholly or partially constituted of other cooperative associations organized under the laws of, or doing business in, any other state, at such place within or without the state, as may be designated in *the notice of the meeting*. At such annual meeting reports covering the business of the association for the previous fiscal year and showing the condition of the association at the close of the fiscal year, shall be submitted to the stockholders by the officers, and directors shall be elected for such terms of office as shall be prescribed in the by-laws of the association. The secretary of the association shall give notice of such meeting, by publication in a legal newspaper published in the county of the principal place of business of the association, at least two weeks previous to the date of the meeting, or by mailing notice thereof to each and every *member* personally, or, in case of an association, to the secretary thereof, at his last known post-office address, not less than 15 days previous to the date of the meeting.

**Subd. 2. Special meetings; how called; notice.** Special meetings of the stockholders may be called by a majority vote of the directors of the association or upon the written petition of at least *twenty* per cent of the stockholders, in which case it shall be the duty of the president of the association to cause notice of the meeting to be given as above provided. The notice shall state the time, place, and purpose of the special meeting and shall be issued within ten days from and after the date of the presentation of such petition, and such special meeting shall be held within 30 days from and after the date of the presentation of the petition. Upon the mailing of any notice of a regular or special meeting of the



stockholders of any association, as provided by sections 308.05 to 308.18, the secretary of the association shall execute a certificate, setting forth a correct copy of the notice and showing the date of the mailing thereof and that the same was mailed within the time and in the manner prescribed by sections 308.05 to 308.18. The certificate shall be made a part of the record of the meeting. Failure of any stockholder to receive any such notice shall not invalidate any action which may be taken by the stockholders at any such regular or special meeting.

Sec. 5. Minnesota Statutes 1945, Section 308.10, is amended to read as follows:

**308.10. Quorum.** At any regular or special meeting of the stockholders of any association incorporated under sections 308.05 to 308.18 a quorum necessary to the transaction of business shall be at least 10 per cent of the total number of stockholders in the association when the number of stockholders in the association does not exceed 500, and, in associations having a large number of stockholders, 50 stockholders present shall constitute a quorum. *In determining a quorum at any meeting, on a question submitted to a vote by mail, stockholders or members present in person or represented by mail vote shall be counted.* The fact of the attendance of a sufficient number of stockholders to constitute a quorum shall be established by a registration of the stockholders of the association present at such meeting, which registration shall be verified by the president and secretary of the association and shall be reported in the minutes of the meeting. No action by any association organized under sections 308.05 to 308.18 shall be valid or legal in the absence of a quorum at the meeting at which such action may be taken.

Sec. 6. Minnesota Statutes 1945, Section 308.11, is amended to read as follows:

**308.11. Directors; officers.** Every cooperative association organized under sections 308.05 to 308.18 shall be governed by a board of not less than five directors, who shall be members or duly elected or appointed representatives of members of the association and who shall be elected at the annual meeting by the stockholders for such terms and in such manner as the by-laws of the association shall prescribe. *The directors shall elect from their number a president and one or more vice-presidents. They shall also elect a secretary and a treasurer, who need not be directors or stockholders.* The offices of secre-

tary and treasurer may be combined and when so combined the person filling the office shall be termed secretary-treasurer. The stockholders shall have the power, at any regular or special stockholders' meeting regularly called in the manner above provided, to remove any director or officer for cause and to fill the vacancy caused by such removal.

Sec. 7. Minnesota Statutes 1945, Section 308.12, is amended to read as follows:

**308.12. Earnings; reserve fund; distribution.** An association organized under sections 308.05 to 308.18 may set aside such part of its net income during its first two fiscal years as its board of directors deems advisable, for the purpose of creating a reserve for permanent surplus, and annually thereafter its board of directors shall set aside for the purpose of such reserve at least ten per cent of the annual net income until the reserve for permanent surplus shall equal 50 per cent of the paid-up capital, and thereafter the reserve for permanent surplus may be increased from time to time by the board of directors of the association to such an amount as it deems advisable. In addition to such reserve for permanent surplus the directors of any such association may set aside a sum not to exceed five per cent of the annual net income of the association, which shall be used for the purposes of promoting and encouraging cooperative organization, and may establish and accumulate reserves for new buildings, machinery and equipment, depreciation, losses, and other proper purposes. Net income in excess of dividends on capital stock and additions to reserve and surplus shall be distributed on the basis of patronage. The stockholders may provide in the by-laws of the association that non-member patrons shall participate in the distribution of net income upon equal terms with member patrons. If the patron is qualified and eligible for membership, the amount of patronage refund due him shall be credited to his individual account, and when such credits shall equal the value of a share of common stock or a membership a share of common stock or a membership shall be issued to him. If the patron is not qualified or eligible for membership, the refund due him may be credited to his individual account, and when such credits shall equal the value of a share of preferred stock or a certificate of interest a share of preferred stock or a certificate of interest may be issued to him, and thereafter such patron may participate in the distribution of income upon the same basis as a common stockholder or member.

Distribution of net income shall be made annually or oftener. Net income of a cooperative association arising from trucking operations shall be distributed only annually. The directors of such association shall present to the stockholders at their annual meeting a report covering the operations of the association during the preceding fiscal year.

Dividends may be paid on capital stock only when the net income of the association for the previous fiscal year is sufficient and shall not be cumulative.

*An association subject to the provisions of sections 380.05 to 308.18 may distribute net income in cash, credits, revolving fund certificates, or its own or other securities.*

Approved March 26, 1949.

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## CHAPTER 200—H. F. No. 851

[Not Coded]

*An act legalizing conveyances of real estate being made by cities of the fourth class operating under a home rule charter as provided by Section 36, Article 4, of the Constitution of the State of Minnesota.*

Be it enacted by the Legislature of the State of Minnesota:

**Section 1. Validating conveyances of real property by cities of the fourth class.** Conveyances of real property heretofore made by cities of the fourth class operating under a home rule charter pursuant to the provisions of Section 36 of Article 4 of the Constitution of the State of Minnesota, which said conveyances were for real property belonging to the city, and which said conveyances were made without submitting the question of the sale of such real property to the legal voters of the city at an election called for that purpose as required by the city charter are hereby declared to be valid notwithstanding the failure to submit the question of the sale of such property to the legal voters of the city and notwithstanding that there was not an approval of the sale of said real property by the legal voters of such city as provided for by the city charter.