

CHAPTER 308

COOPERATIVE ASSOCIATIONS

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308.01 ORGANIZATION. Subdivision 1. **Purposes; certificate, where filed.** A cooperative association may be formed for the purpose of engaging in any lawful mercantile, manufacturing, or agricultural business. Its certificate of incorporation shall be filed for record with the register of deeds of the county of its principal place of business, and thereupon it shall become a corporation. A majority of the incorporators shall be residents of the county of its principal place of business, and its duration, without renewal, shall not exceed 20 years.

Subdivision 2. **Officers; board of managers.** Every such association shall have a president, a treasurer, and not less than three directors, who shall together constitute a board of managers and conduct its business. Such officers shall be chosen annually by the stockholders and hold their offices until others have been chosen and have qualified. The association shall make its own by-laws, not inconsistent with law, and may therein provide for any other officers deemed necessary, and the mode of their selection. It may amend its certificate of incorporation at any general stockholders' meeting, or at any special meeting called for that purpose, upon ten days' notice to the stockholders.

[R. L. ss. 3073, 3074] (7822) (7825)

308.02 CAPITAL; LIMIT OF INTEREST; SHARES. The amount of capital stock shall be fixed by the certificate of incorporation, which amount and the number of shares may be increased or diminished at a stockholders' meeting specially called for that purpose; but the whole amount of stock shall never exceed \$100,000, and, in case of a creamery association, shall not exceed \$25,000. Within 30 days after the adoption of an amendment increasing or diminishing its capital it shall cause the vote so adopting it to be recorded in the office of the register of deeds where its original certificate is on record. No share shall be issued for less than its par value, and no member shall own shares of greater par value than \$1,000 or be entitled to more than one vote. It may commence business whenever 20 per cent of the stock has been subscribed for and paid in, but no certificate of shares shall be issued to any person until the full amount thereof has been paid in cash, and no person shall become a shareholder therein except by consent of the managers.

[R. L. s. 3075] (7826)

308.03 DISTRIBUTION OF PROFITS. The profits on the earnings of such association shall be distributed to those entitled thereto by its by-laws, and in the

proportions and at the times therein prescribed, which shall be as often as once in 12 months.

[R. L. s. 3077] (7828)

308.04 LIABILITY OF OFFICERS; DISSOLUTION. If the board of managers, or the directors or officers having control of such association, for five consecutive years after its organization shall fail to declare a dividend upon its capital or shares, five or more stockholders, by petition setting forth such facts, may apply to the district court of the county of its principal place of business for its dissolution. If upon hearing the allegations of the petition are found to be true, the court may adjudge a dissolution of the association.

[R. L. s. 3076] (7827)

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. The indebtedness so incurred shall not exceed the limit of indebtedness fixed in the articles of incorporation of such cooperative association, as hereinafter required. 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.

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308.06 COOPERATIVE ASSOCIATIONS

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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.

[1919 c. 382 s. 1; 1921 c. 23 s. 1; 1923 c. 326 s. 1; 1933 c. 148; 1941 c. 114 s. 1] (7834)

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 those sections or otherwise.

Persons forming a cooperative association under those sections 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 highest amount of indebtedness to which the association shall at any time be subject; (3) 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; (4) 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; (5) that individuals owning common stock shall be restricted to one vote in the affairs of the association; (6) that shares of stock shall be transferable only with the approval of the board of directors of the association; (7) that dividends upon capital stock of the association shall not exceed six per cent annually; (8) 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 (9) 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 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 association shall contain the provisions required 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 provisions of section 80.01, except as specifically provided in section 80.05, subdivision 9.

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.

[1919 c. 382 s. 2; 1921 c. 23 s. 2; 1923 c. 326 s. 2; 1941 c. 114 s. 2] (7835)

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.

Within 30 days after the adoption of an amendment increasing or diminishing the authorized capital stock, articles of amendment shall be filed and recorded as provided in section 308.15. The association may commence business whenever 20 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 20 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 such cooperative central association organized under sections 308.05 to 308.18 or under the laws of this or any other state having at any time more than 3,000 individual members or stockholders may group such members or stockholders in local units or territorial or other basis as may be determined by the articles and by-laws of the central association.

The grouping of such members or stockholders shall be determined by the directors of the central association at their first meeting immediately following the adoption of such provision in the articles and by-laws of the central association.

Each of these units 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 those 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.

[1919 c. 382 s. 3; 1921 c. 23 s. 3; 1923 c. 326 s. 3; 1933 c. 148; 1941 c. 114 s. 3] (7836)

308.08 APPLICATION. The provisions of sections 308.05 and 308.07 shall not apply to any cooperative corporation or association organized under the laws of this state, or of any other state, prior to April 1, 1933, unless and until such corporation or association, by proper amendment of its articles of incorporation, elects to be bound by their provisions.

[1935 c. 231] (7836-1)

308.09 STOCKHOLDERS' MEETINGS; REGULAR AND SPECIAL. 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, at such times as shall be designated in the by-laws. 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 stockholder 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.

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 ten 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.

[1919 c. 382 s. 4; 1921 c. 23 s. 4; 1923 c. 326 s. 4] (7837)

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 20 per cent of the total number of stockholders in the association when the number of stockholders in the association does not exceed 200, and, in associations having a larger number of stockholders, 50 stockholders present in person shall constitute a quorum; provided, that where any association has for two successive years been unable to secure a quorum at its annual meeting thereafter a quorum shall be at least ten per cent of the total number of stockholders when the number of stockholders in such association does not exceed 200. 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.

[1919 c. 382 s. 5; 1921 c. 23 s. 5; 1923 c. 326 s. 5; 1937 c. 153 s. 1] (7838)

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 officers of the association shall be a president, one or more vice-presidents, a secretary, and a treasurer, who shall be elected annually by and from the directors. The offices of secretary 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.

[1919 c. 382 s. 6; 1921 c. 23 s. 6; 1923 c. 326 s. 6] (7839)

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.

[1919 c. 382 s. 7; 1921 c. 23 s. 7; 1923 c. 326 s. 7; 1941 c. 114 s. 4] (7840)

308.13 PROMOTION EXPENSE, NOT TO BE INCURRED. None of the funds of any association organized under sections 308.05 to 308.18 shall be used, nor shall any of the capital stock of such association be issued or pledged, nor shall such association be permitted to incur any indebtedness in payment of any promotion of such association or for the payment of commissions, salaries, or expenses of any kind in connection with the promotion of such association; except that a sum not to exceed ten per cent of the par value of the capital stock sold may be used by officers

or committees elected by the stockholders to sell or solicit the sale of stock or for hiring responsible solicitors for such purpose.

[1919 c. 382 s. 9; 1921 c. 23 s. 9; 1923 c. 326 s. 8] (7841)

308.14 CERTAIN ASSOCIATIONS MAY COME WITHIN PROVISIONS. Any cooperative corporation or association heretofore organized and doing business under prior statutes of this state, or under the laws of other states, or which has conducted its business upon the cooperative plan, which retains the same corporate name or title, may come under the provisions of sections 308.05 to 308.18 and be bound thereby upon amending its articles of incorporation to conform to the requirements of those sections in the manner hereinafter provided for the adoption of amendments. Cooperative associations organized under the laws of other states shall be required to amend their articles of incorporation, in the manner required by the laws of the state in which such association was incorporated, so as to comply with the provisions of those sections, whereupon it shall be entitled to file a certified copy of its articles of incorporation and amendments thereto with the secretary of state, subject to the fees and requirements prescribed by those sections, and such association shall henceforth be considered as a cooperative association in this state and subject to the provision of those sections. Any cooperative association originally organized under the laws of another state, which has heretofore complied with the provisions of this section, and received a certificate of incorporation from the secretary of state, shall be, and it hereby is declared to be a de jure corporation under the provisions of those sections without any further act by it or any officer of this state.

Voluntary proceedings for dissolution of any association organized under or subject to the provisions of sections 308.05 to 308.18 or any other law of Minnesota relating to the organization of cooperative associations may be instituted whenever a resolution therefor is adopted by two-thirds of the voting power voting thereon at a meeting duly called for that purpose. The resolution may provide that the affairs of the association shall be wound up out of court, in which case the resolution shall designate a trustee or trustees to conduct the winding up, and may provide a method for filling vacancies in the office of trustee; but such appointment shall not be operative until a certificate setting forth the resolution and the manner of adoption thereof, signed and acknowledged by the president or vice-president and by the secretary or assistant secretary, shall be filed for record with the secretary of state. If a vacancy occurs in the office of trustee, it may be filled by resolution adopted by a majority of the voting power represented at a meeting of stockholders or members. The meeting may be called by the remaining trustee or trustees, if any, and if none, then by any stockholder or member. Unless the resolution to dissolve otherwise provides, the trustee or trustees may be removed with or without cause by the vote of a majority of the voting power at a meeting called for that purpose. The resolution to dissolve may provide that the affairs of the corporation shall be wound up under the supervision of the court, in which case the resolution shall authorize certain directors or stockholders to sign and present a petition to the court praying that the corporation be wound up and dissolved under the supervision of the court. Where a corporation is being wound up and dissolved out of court, the trustee, or if there be more than one then a majority of the trustees, may by petition apply to the court for a receiver and to have the proceedings continued under the supervision of the court, and thereafter the proceedings shall continue as if originally instituted subject to the supervision of the court.

Except as otherwise provided in the resolution for dissolution, the trustee or trustees appointed by the stockholders or members to conduct the winding up out of court shall, as speedily as practicable after the appointment has become operative, as hereinabove provided, proceed to collect all sums due or owing to the corporation; to sell and convert into cash all corporate assets; to collect any amounts remaining unpaid on subscriptions to shares, and to pay all debts and liabilities of the association according to their respective priorities. Any property remaining after discharging the debts and liabilities of the corporation shall be distributed by the trustee or trustees to the stockholders, members, or patrons of the association. Stockholders shall first be paid the par value of their shares, and the remainder of such property shall be distributed among patrons, members, and common stockholders in accordance with their interest in the reserves and surplus as shown by the records of the association.

[1919 c. 382 s. 11; 1921 c. 23 s. 11; 1923 c. 326 s. 10; 1941 c. 114 s. 5] (7843)

308.15 AMENDING ARTICLES OF INCORPORATION. The articles of incorporation of any association organized under sections 308.05 to 308.18 or which may elect to come under the provisions of those sections may be amended in the following manner: The board of directors, by majority vote of its members may pass a resolution setting forth the full text of the proposed amendment. Upon such action by the board of directors, notice shall be mailed to each and every stockholder containing the full text of the proposed amendment. Such notice shall also designate the time and place of the meeting at which such proposed amendment shall be considered and voted upon, in the same manner as elsewhere provided in those sections. An association having in excess of 200 stockholders or members may publish such notice in two successive issues of a legal newspaper of general circulation in the area served by such association, in lieu of notice by mail. If a quorum of the stockholders is registered as being present or represented by mail vote at such meeting, a majority of the members so present or represented by mail vote, may adopt or reject such proposed amendment. After an amendment has been adopted by the stockholders, articles of amendment setting forth the amendment and the manner of adoption thereof shall be signed and acknowledged by the president or vice-president and by the secretary or assistant secretary, and filed in the office of the secretary of state and recorded in the office of the register of deeds of the county of its principal place of business.

Articles of incorporation and of amendment shall be approved by the attorney general before the same are filed in the office of the secretary of state.

[1919 c. 382 s. 12; 1921 c. 23 s. 12; 1923 c. 326 s. 11; 1941 c. 114 s. 6] (7844)

308.16 COMPANIES EXCEPTED. Existing laws relative to the incorporation and management of rural telephone companies and cooperative creameries, except as specifically repealed, shall remain in force and shall not be affected by any of the provisions of sections 308.05 to 308.18. Any rural telephone company or cooperative creamery organized under the provisions of existing laws may continue to operate thereunder until they shall come under the provisions of those sections.

[1919 c. 382 s. 13; 1921 c. 23 s. 13; 1923 c. 326 s. 12] (7845)

308.17 REPEALS; CONTINUANCE OF GOVERNMENT. Sections 308.01 to 308.03, 308.17, 308.30, 308.31, and 308.34, in so far as they conflict with the provisions of sections 308.05 to 308.16, are hereby repealed; provided, that any corporation or association incorporated and operating under the provisions of sections 308.01 to 308.03, 308.17, 308.30, 308.31, and 308.34 shall continue to be governed thereby during the period of their corporate period or until they shall elect to come under the provisions of sections 308.05 to 308.16.

[1919 c. 382 s. 14; 1921 c. 23 s. 14; 1923 c. 326 s. 13] (7846)

308.18 APPLICATION. This statute shall not be construed or considered as repealing or amending by implication or otherwise any existing law of this state except as herein stated and set forth, and no statute or law hereafter enacted in this state shall be considered or construed as amending or repealing sections 308.05 to 308.18 by implication or otherwise unless so provided in express language in such subsequent enactment.

[1923 c. 326 s. 14] (7847)

308.19 COOPERATIVE ASSOCIATIONS; PURPOSE. A cooperative association, society, or company may be formed for the purpose of promoting and facilitating the production and marketing of live stock by advancing and lending money upon the obligations of the members of any such association who are producers of live stock in this state when such obligations are secured by satisfactory collateral or by chattel mortgages on live stock owned by members of any association organized under the provisions of sections 308.19 to 308.282. The association shall have power to borrow money for the purpose of lending to its members, as aforesaid, upon securities taken for loans to its members or upon debentures issued by the association based upon the securities for such loans.

[1923 c. 131 s. 1] (7848)

308.20 REQUIREMENTS TO INCORPORATE. Persons forming an association under sections 308.19 to 308.282 shall sign and acknowledge written articles of incorporation specifying:

(1) The name of the association, the general nature of its business, and the principal place of transacting the same and 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, if limited, shall not exceed 30 years without renewal;

(3) The name and place of residence of the incorporators; associations with a capitalization of \$50,000 or less shall have at least seven incorporators and associations with a capitalization of more than \$50,000 shall have at least 15 incorporators, a majority of whom, in both cases, shall be residents of the state;

(4) In what board its management shall be vested, the date of the annual meeting at which it shall be elected, and the names and places of residence of those composing the board until the first election, a majority of whom shall be residents of the state;

(5) The amount of capital stock, how the same is to be paid in, the number of shares into which it is to be divided, and the par value of each share;

(6) The highest amount of indebtedness or liability to which the association shall at any time be subject, which may be fixed in a stated amount or by a percentage of its paid-in capital; provided that indebtedness which is secured by collateral, consisting of chattel mortgages or other securities taken by the association as security for loans made to its members, shall not be taken into account as indebtedness limited thereby;

(7) To amend its articles of incorporation as hereinafter provided.

The articles of incorporation may also contain any other lawful provision defining and regulating the powers or business of the association, its officers, directors, trustees, members, and stockholders.

[1923 c. 131 s. 2] (7849)

308.21 CAPITAL STOCK; LIMITATIONS. The amount of the capital stock and the par value of the shares of capital stock shall be fixed by the articles of incorporation. The amount of capital stock and the number of shares thereof 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 purpose. Within 30 days after the adoption of an amendment increasing or diminishing its capital and after such amendment has been approved by the commissioner of banks, the vote by which such amendment was adopted shall be recorded in the office where the articles of incorporation were recorded, as provided in section 308.20. No share of capital stock shall be issued for less than its par value nor until the same has been paid for in cash or its equivalent and such payment has been deposited with the treasurer. The association may limit the amount of stock or the number of shares which may be issued or owned by one individual, but in no case shall the individual be allowed to own or hold more stock than would represent the par value of \$1,000 of such stock, and in case the subscriber for capital stock is an association, such association may be allowed to own and hold shares of such capital stock to an amount not exceeding \$10,000 of the par value of such stock. No stockholder, whether an individual or an association, shall be entitled to more than one vote in any stockholders' meeting. In case the stockholder is an association it may elect some member of its association to represent the association in such stockholders' meetings. Individual stockholders shall vote in person or may be allowed to vote by mail under rules provided in the by-laws of the association. The representative of a stockholding association must be personally present in order to entitle such association to cast its vote at any meeting. No person shall become a stockholder in any association organized under sections 308.19 to 308.282 by transfer of shares of stock except by consent of the board of directors, and the by-laws may provide that the association shall have the first privilege of purchasing stock offered for sale by any stockholder. Any stock so acquired by the board of directors may be held as treasury stock or may be retired and canceled.

Any stockholder who knowingly and intentionally violates the provisions of this section or the provisions of the by-laws adopted by any association organized under sections 308.19 to 308.282 may be required by the board of directors to forfeit his stock, in which case the board of directors shall refund to such stockholder the par value of his stock, or in case the book value of the stock shall be greater than the par value he should be paid the amount of the book value of the same. Stock so incorporated shall be retired and canceled by the board of directors and such stockholders shall have no further rights or benefits in such association.

[1923 c. 131 s. 3] (7850)

308.22 TO BE APPROVED BY COMMISSIONER OF BANKS. Before the association shall be considered organized and authorized to do business or sell any

shares of capital stock under sections 308.19 to 308.282 the proposed articles of incorporation of the association and the by-laws proposed to be enacted thereunder shall be submitted to the commissioner of banks of this state for examination and approval and he shall endorse his approval upon such articles of incorporation and by-laws, if same are found to be in accordance with the provisions of sections 308.19 to 308.282.

[1923 c. 131 s. 4] (7851)

308.23 ARTICLES TO BE PUBLISHED. After the approval by the commissioner of banks of the proposed articles of incorporation and the proposed by-laws such articles of incorporation shall be published in a qualified newspaper in the county of such principal place of business for two successive days in a daily, or for two successive weeks in a weekly, newspaper. The original articles of incorporation, or a certified copy thereof, verified as such by the affidavits of two of the signers, shall be filed with the register of deeds of the county of the principal place of business of the association, if incorporated for \$25,000 or less, and with the secretary of state if incorporated for more than \$25,000. If the articles of incorporation are filed with the secretary of state, a certified copy shall be filed and 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 with the secretary of state there shall be paid to the state treasurer a fee of \$10.00, and for amendments to such articles, \$5.00.

[1923 c. 131 s. 5] (7852)

308.24 BUSINESS, WHEN COMMENCED. After the articles of incorporation and by-laws have been approved by the commissioner of banks and the articles of incorporation have been published in accordance with the provisions of sections 308.19 to 308.282, the association may commence business whenever 20 per cent of the capital stock has been subscribed and paid in, and the amount of capital stock shall at no time be diminished below 20 per cent of the amount of the authorized capital.

[1923 c. 131 s. 6] (7853)

308.25 MEETINGS OF STOCKHOLDERS. Meetings of the stockholders shall be held annually, at the principal place of business of the association, at such times as shall be designated by the by-laws. 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 the ensuing years. The secretary shall cause notice of such meeting to be published in a daily or weekly newspaper published in the principal place of business of such association and being qualified to publish legal notices, and such notice shall appear in at least two consecutive issues of such newspaper, in the case of a weekly paper, and, in the case of a daily paper, once each week for two consecutive weeks, previous to such meeting; or notice of such meeting may be given by mailing notice of the meeting to each and every stockholder at his last known post-office address not less than 15, nor more than 30, days previous to the date of the meeting.

Special meetings of the stockholders may be called by a majority vote of the directors or upon written petition of at least ten per cent of the stockholders, in which case it shall be the duty of the president to cause notice of such meeting to be made as above provided. Such notice shall state the time, place and purpose of the meeting and shall be issued within ten days of the date of the presentation of the petition, and the meeting shall be held within 30 days of the date of the presentation of the petition. Notice of regular or special meetings having been mailed to the stockholders of the association, or published in a daily or weekly newspaper as above provided, the secretary shall execute a certificate stating the date and manner in which such notice was issued and an exact copy of such notice, and failure of any stockholder to receive such notice shall not invalidate any action taken by the stockholders at such regular or special meeting.

[1923 c. 131 s. 7] (7854)

308.26 QUORUM. The number of stockholders required to be present in person or represented by mail vote at any regular or special stockholders' meeting to constitute a quorum for the transaction of business shall be a majority of such stockholders when the total number does not exceed 50, and at least ten per cent of the total number of stockholders in all other cases, which shall not be less than 40; but 100 stockholders present in person shall constitute a quorum in any association organ-

ized under sections 308.19 to 308.282. The fact of attendance of a sufficient number of stockholders to constitute a quorum shall be established by a registration of the stockholders of the company, which registration shall be verified and certified to by the president and secretary of the association. No action of any association organized under sections 308.19 to 308.282 shall be valid or legal unless there is a quorum present, as above provided, at the meeting at which such action is taken.

[1923 c. 131 s. 8] (7855)

308.27 BOARD OF DIRECTORS; OFFICERS. Every association shall be managed by a board of not less than five directors, who shall be members of the association and who shall be elected by the stockholders by ballot at such time and for such period as the by-laws shall prescribe. The officers of the association shall be a president, one or more vice-presidents, a secretary, and a treasurer, who shall be elected annually by the directors. Each officer shall be a director of the association. The office of secretary and treasurer shall be combined, and when so combined, the person filling the office shall be termed secretary-treasurer. A quorum of the stockholders shall have the power, at any regular or special stockholders' meeting regularly called, to remove any director or officer for cause and fill the vacancy. The by-laws shall specify the manner of nominating and electing the directors.

[1923 c. 131 s. 9] (7856)

308.28 RESERVE FUND CREATED. At the annual meeting of any association organized under the provisions of sections 308.19 to 308.282 the stockholders may set aside all of the income of the first and second fiscal years of the association for the purpose of creating a reserve fund, and the directors shall transfer to the reserve fund at least ten per cent of the annual net income each year, until an amount has accumulated equal to 30 per cent of the paid-up capital stock, which reserve fund may be used in the business of the association the same as paid-up capital. When recommended by the directors the stockholders, at any annual meeting, may increase the reserve fund out of the annual net income up to 100 per cent of the paid-up capital stock. The interest paid on the capital stock shall not exceed the rate of eight per cent per annum. After the operating charges, interest on capital stock, and the reserve fund, as provided herein, have been deducted from the gross income the remainder of the same shall be disbursed to the stockholders of the association, pro rata, based upon the amount of interest paid by the stockholders to the association on loans made under the provisions of sections 308.19 to 308.282. If the board of directors of any association shall authorize the payment of interest on the capital stock in excess of eight per cent per annum, such act shall operate as a vacation of office of each director or officer voting for, authorizing, or in any manner sanctioning such payment and as a disqualification of any such officer from holding any office of the association for a period of three years thereafter.

[1923 c. 131 s. 10] (7857)

308.281 DEBENTURES ISSUED. Such corporation may issue and negotiate its debentures secured by the chattel mortgages and other securities taken by it under the provisions of sections 308.19 to 308.282 in such manner and in accordance with such rules as are established by the commissioner of banks, who is hereby authorized and directed to make such rules as he may deem necessary for the regulation of the issuance of debentures by associations organized under sections 308.19 to 308.282.

[1923 c. 131 s. 11] (7858)

308.282 ANNUAL REPORTS. Every association organized under sections 308.19 to 308.282 shall be required to file with the commissioner of banks, each year, a report of its business for the last fiscal year, which report shall be made on or before the first day of March at the close of the fiscal year, such report to be in such form as shall be determined by the commissioner of banks.

[1923 c. 131 s. 12] (7859)

308.29 POWERS EXTENDED. A cooperative association may be formed for the purpose of selling and otherwise disposing of any of its products or the products of its members or of any manufacturing or agricultural cooperative association organized under the laws of this state. Its certificates of incorporation shall be filed for record with the secretary of state and thereupon it shall become a corporation. A majority of the incorporators thereof shall be residents of this state, and its duration, without renewal, shall not exceed 20 years. It shall be lawful for such association to sell its own products, as well as the products of its members for them, either

individually or collectively, and to negotiate the price at which such products may be sold either for itself or for its members, individually or collectively, as the case may be.

[1907 c. 293 s. 1; 1909 c. 456 s. 1; 1919 c. 82 s. 1] (7830)

308.30 OFFICERS; BY-LAWS; AMENDMENT OF ARTICLES. Every such association shall have a president, a treasurer, and not less than three directors, who shall together constitute a board of managers and conduct its business. Such officers shall be chosen annually by the stockholders, and shall hold their offices until others shall be chosen and have qualified. The association shall make its own by-laws, not inconsistent with the law, and may therein provide for any other officers deemed necessary, and the mode of their selection. It may amend its articles of incorporation at any general stockholders' meeting, or at any special meeting called for that purpose, upon ten days' notice to the stockholders. The amount of capital stock shall be fixed by the articles of incorporation, which amount and the number of shares may be increased or diminished at a stockholders' meeting specially called for that purpose, but the whole amount of stock shall never exceed \$100,000. Within 30 days after the adoption of the amendment increasing or diminishing its capital stock, it shall cause the vote so adopting it to be recorded in the office of the secretary of state. No share shall be issued for less than its par value, and no member shall own shares of a greater par value than \$1,000, or be entitled to more than one vote. It may commence business whenever 20 per cent of the authorized stock has been subscribed for and paid in, but no certificate of shares shall be issued to any person until the full amount of such subscription therein has been paid in cash, and no person shall become a shareholder therein except by the consent of the managers. The profits on the earnings of such association shall be distributed to those entitled thereto by its by-laws and in proportions and at the times therein prescribed, which shall be as often as once in 12 months.

[1907 c. 293 s. 2; 1933 c. 330 s. 1] (7831)

308.31 STOCK IN OTHER CORPORATIONS. Any corporation organized under the provisions of sections 308.01, or 308.33, or 308.34 is hereby authorized, in addition to those other powers to it granted, upon an affirmative vote of a majority of its directors or other governing body, had at any regular meeting or any special meeting called for that purpose, to subscribe to the capital stock of any corporation organized under the provisions of sections 308.29 and 308.30, pay for the same, and thereafter, in like manner, vote the same and exercise all the usual powers of a stockholder in a corporation, subject to the limitations set forth in sections 308.29 and 308.30.

[1907 c. 393 s. 3; 1909 c. 280 s. 1] (7832)

308.32 RURAL TELEPHONE COMPANIES; PLACE OF BUSINESS; STOCKHOLDERS' MEETINGS, WHERE HELD. Any rural telephone company or association, organized or incorporated under any of the laws of this state, shall have its principal place of business in the township, city, or village designated in its articles of incorporation as such; provided, that any officer of such company may transact the business pertaining to his particular office in any township, city, or village into which such township, city, or village, the lines of such company extend, or in any city or village within any such township; and, provided, further, that any such rural telephone company whose lines extend into more than one township may hold its stockholders' meeting in any township, city, or village through or into which its lines extend, or in any city or village within any such township as its stockholders, or members, may, from time to time, designate at a previous annual meeting, or a special meeting called for that purpose, but until a different place is so designated the township, city, or village named as its principal place of business shall be the place for holding all stockholders' meetings thereof, and when a place is so designated it shall be and remain the place for holding all stockholders' meetings until again changed by a vote of the stockholders, as aforesaid, and it shall be the duty of the officer calling any such meeting to procure a place of meeting in the township, city, or village so designated; and state the location of same in his notice of the meeting.

[1911 c. 360 s. 1] (7833)

308.33 RURAL TELEPHONE BUSINESS; FORMATION; POWERS. Seven or more persons of lawful age, inhabitants of this state, may, by written articles of agreement, associate themselves together for the purposes of trade or for carrying on any lawful mercantile, manufacturing, agricultural, or rural telephone business

within this state; and when such articles of association shall have been executed and recorded in the office of the clerk of the city or town in which the business is to be carried on, such persons shall be and become a corporation, and enjoy all the powers and privileges, and can buy and hold stock in other corporations organized for the same general purpose, and be subject to all duties, restrictions, and liabilities set forth in all general laws in relation to similar corporations, except so far as the same may be limited or enlarged by this section.

[1870 c. 29 s. 1; 1905 c. 276 s. 1] (7823)

308.34 MAY ENGAGE IN ANY LAWFUL ENTERPRISE. A cooperative association may be formed for the purpose of engaging in any lawful mercantile, manufacturing, agricultural, or rural telephone business. Its certificate of incorporation shall be filed for record with the register of deeds of the county of its principal place of business, and thereupon it shall become a corporation. A majority of the incorporators who reside in this state shall be residents of the county of its principal place of business, and its duration, without renewal, shall not exceed 20 years.

[1870 c. 29 s. 1; G. S. 1894 s. 2903; 1905 c. 313 s. 1] (7824)

308.35 CORPORATE EXISTENCE OF CERTAIN COOPERATIVE ASSOCIATIONS RENEWED. Any cooperative association organized pursuant to sections 308.01 to 308.03, 308.30, 308.31, and 308.34, whose period of corporate existence has not expired, may renew its corporate existence on expiration thereof for a period not exceeding 20 years, any statutory provision to the contrary notwithstanding.

[1935 c. 116 s. 1] (7833-1)

308.37 COOPERATIVE ASSOCIATIONS OR CORPORATIONS MAY PURCHASE AND OWN STOCK OF CERTAIN OTHER CORPORATIONS. Any cooperative corporation or association organized under the laws of Minnesota may purchase, own, and hold all or any part of the capital stock of any other corporation, provided only that such corporation has been organized for the purpose of, or is engaged in, the business of handling, selling, marketing, or dealing in the products and commodities handled, sold, or manufactured by such cooperative corporation or association, or has been organized for the purpose of loaning money to producers of the agricultural products, including live stock, handled, marketed, purchased, or sold by such cooperative corporation or association.

[1927 c. 25 s. 1] (7847-3)

308.39 CREAMERY ASSOCIATIONS MAY ACQUIRE EASEMENTS FOR SEWERS AND SITES FOR FILTRATION PLANTS BY CONDEMNATION. Any creamery association organized in the state of Minnesota shall have the right, power, and authority to condemn lands under the right of eminent domain for easements for sewers and sites for filtration plants to take care of all sewage and refuse made in the operation of its business, which power and authority shall be exercised under and pursuant to the terms and provisions of chapter 117, and acts supplemental thereto.

[1927 c. 179 s. 1] (7859-1)

308.40 SUPERVISION OF SEWERS AND FILTRATION PLANTS BY BOARDS OF HEALTH. The establishment of any such sewers or any such filtration plants, or both, for such purposes and their maintenance and operation, shall be under the supervision of the chairman of the board of health of the town, village, or city in which such association has its operating plant.

[1927 c. 179 s. 2] (7859-2)

308.41 CERTAIN COOPERATIVE CREAMERY ASSOCIATIONS CONTINUED; RESOLUTION, WHERE FILED. Any cooperative creamery association organized under the provisions of section 308.01 may renew its corporate existence for a period of not more than 20 years, whenever the holders of a majority of the stock thereof shall adopt a resolution to that effect at any regular meeting, or at any special meeting called for that expressly stated purpose. A copy of the resolution, certified by the chairman and secretary of the meeting, shall be filed in the office of the register of deeds of the county in which the corporation shall be located.

[1933 c. 358 ss. 1, 2] (7859-13) (7859-14)

308.42 DEFINITIONS. Subdivision 1. **Words, terms, and phrases.** Unless the language or context clearly indicates that a different meaning is intended, the following words, terms, and phrases, for the purposes of this chapter, shall be given the meanings subjoined to them. The definitions set forth in subdivisions 2 to 6 are only for the purposes of sections 308.05 to 308.18; and the definitions set forth in subdivisions 7 to 10 are only for the purposes of sections 308.19 to 308.282.

Subdivision 2. **Cooperative association.** A "cooperative association" is any corporation or association of ultimate producers, consumers, or ultimate producers and consumers organized under any law of the state providing for the incorporation of cooperative associations; also any central organization composed wholly or in part of such associations.

Subdivision 3. **Income.** All earnings received by any such cooperative association resulting from the purchase and sale or handling of commodities, whether for the association or its members or patrons, or by withholding a portion of the proceeds payable to such members or patrons for their products for the purposes of the association, and all earnings resulting from commissions, assessments, or dues collected from such members or patrons, or otherwise resulting from the operations of such association for and during its fiscal year shall be considered and termed as "income."

Subdivision 4. **Gross income.** From the amount of such income shall be deducted the costs of the operation of such association and, in addition thereto, there shall be a reasonable and adequate reserve for depreciation of physical properties and other possible losses, which shall be provided for by the board for each fiscal year, and the balance of such income shall be termed "gross income."

Subdivision 5. **Net income.** From the gross income of each fiscal year there shall be deducted an amount sufficient to pay interest for such year on the paid-up capital of the association at such rate as may be determined by the board of directors or as may be fixed in the by-laws of the association, which shall not exceed eight per cent annually on the amount of the par value of such stock; also such amounts as may be required to provide for the erection of new buildings or additions to buildings or for additional machinery or equipment or to pay any indebtedness incurred for such purposes and set aside by the directors for such purposes; and the balance of such gross income shall be termed "net income."

Subdivision 6. **Undivided surplus.** After provisions shall have been made for such reserves required or permitted the balance of such net income for any fiscal year shall be termed "undivided surplus" for such fiscal year and shall be available for distribution among the members of such cooperative association on the basis of patronage.

Subdivision 7. **Producers of live stock.** The words "producers of live stock" shall include and mean persons and associations engaged in the breeding and raising of live stock, the feeding of live stock for market, and the marketing of live stock.

Subdivision 8. **Live stock.** The words "live stock" shall include and mean cattle, sheep, and hogs.

Subdivision 9. **Association.** The word "association" shall include and mean society, company, or corporation which may be formed under the provisions of sections 308.19 to 308.282.

Subdivision 10. **Net income.** The term "net income" shall mean the income of the business after the operating charges and interest on capital stock have been deducted from the gross income.

[1919 c. 382 ss. 1, 7; 1921 c. 23 ss. 1, 7; 1923 c. 131 ss. 1, 10; 1923 c. 326 ss. 1, 7; 1933 c. 148; 1941 c. 114 s. 1] (7834) (7840) (7848) (7857)