

CHAPTER 23

COOPERATIVE CREDITS

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23.01 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 shall, for the purposes of this chapter, be given the meanings subjoined to them.

Subdivision 2. **Association, society, or corporation.** The term "association", "society", or "corporation" means and includes any corporation organized under this chapter, and, in its articles, may use the term "association", "society", or "corporation".

Subdivision 3. **Staple agricultural products.** The term "staple agricultural products" means and includes all kinds of grain, hay, and similar articles that are capable of being kept, preserved, used, or marketed during an extended period without material damage, and shall not include a large variety of vegetables or similar agricultural products that rapidly deteriorate or become unmarketable.

Subdivision 4. **Live stock.** The term "live stock" includes the purchasing, breeding, and development of the various kinds of live stock, including the feeding and marketing of same.

Subdivision 5. **Net earnings.** The term "net earnings" means the earnings of the business after the operating charges and dividends on the capital stock have been paid and deducted from the gross earnings.

[1923 c. 141 ss. 2, 11] (6066, 6075)

23.02 COOPERATIVE CREDIT ASSOCIATIONS. A cooperative association, society, or corporation may be organized under the provisions of this chapter for the purpose of promoting and facilitating the production and marketing of the various kinds of staple agricultural products, including live stock, by advancing and lending money to parties engaged in the production and marketing of such products upon the obligations of the borrowers when such obligations are secured by satisfactory collateral, by warehouse receipts covering such products, or by chattel mortgages constituting a first lien upon live stock or other staple agricultural products.

[1923 c. 141 s. 1] (6065)

23.03 ARTICLES OF INCORPORATION. The persons forming a corporation under this chapter shall sign and acknowledge written articles of incorporation, therein specifying:

(1) The name of the association or corporation, the nature of its business, and the principal place of transacting the same, which shall be within the state; which name shall distinguish it from all other corporations, domestic or foreign, doing business in this state, and may therein be designated as an association, society, or corporation, and such name or title shall be preserved to it during its corporate existence;

(2) The period of its duration, which shall not exceed 30 years without renewal;

(3) The name and place of residence of the incorporators, which, in the case of a corporation containing not more than \$10,000 capital, shall not be less than ten, and, in all corporations containing more than \$10,000 capital, shall not be less than 20;

(4) The amount of the capital stock of such corporation, which shall not be less than \$10,000, nor more than \$50,000, and shall designate the number of shares into which it shall be divided and the amount of the par value of such shares;

(5) The names and addresses of the officers and board of directors in whom shall be vested the management of the corporation until the next annual election;

(6) The date and place of the annual meeting of the stockholders for the election of the board of directors herein provided for and the transaction of other business authorized by this chapter;

(7) 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 the paid-in capital stock; and

(8) Any other lawful provisions defining and regulating the powers or the business of the corporation, the duties and authorities of its officers, directors, and stockholders.

[1923 c. 141 s. 3] (6067)

23.04 APPROVAL OF ARTICLES BY COMMISSIONER OF BANKS. Before the corporation shall be considered organized and authorized to do business, the proposed articles of incorporation shall be submitted to the commissioner of banks to determine if the proposed articles conform to the requirements and purposes of this chapter and, upon being approved, the articles shall be published in a legal newspaper in the county where the principal place of business of the corporation shall be located, for two successive weeks, once each week in either a weekly or daily newspaper published in the county. The articles of incorporation and approval thereof and proof of the publication shall be filed with the secretary of state and a certified copy thereof filed and recorded in the office of the register of deeds in the county in which the principal place of business of the corporation is located.

[1923 c. 141 s. 4] (6068)

23.05 CAPITAL STOCK. After the approval, publication, filing, and recording of the articles of incorporation, as provided in section 23.04, the corporation shall be authorized to organize and proceed to sell its shares of capital stock and issue certificates therefor, without any further regulation or control under any law of this state and without obtaining a certificate of authority therefor, provided by Laws 1917, Chapter 429; provided, no stock shall be sold or certificates issued therefor except upon payment into the treasury of the company the par value of the stock. The corporation may commence business when not less than \$10,000 of the capital stock has been subscribed and paid-in and outstanding stock shall at no time be diminished below that amount. Any corporation organized under this chapter may limit the amount of stock or the number of shares which may be issued to or owned by any individual, association, or corporation, which in no case shall exceed in amount \$1,000 of the par value of such stock, and no stockholder shall be entitled to more than one vote at any meeting of the stockholders. Any stock issued by the corporation shall be transferred only on the books of the company and with the approval and consent of the board of directors. The corporation shall have the first right to purchase any stock offered for sale by any of its stockholders.

[1923 c. 141 s. 5] (6069)

23.06 LOANS, POWER TO MAKE. Any corporation organized under the provisions of this chapter shall have authority to make loans to parties engaged in agricultural production within this state, whether stockholders of this association or otherwise, and for such amount and on such time, not exceeding a period of three years, as may be fixed by its by-laws or board of directors, and upon receiving the obligation of the borrower, secured by acceptable collateral or security, as specified in section 23.02, and the corporation shall have authority to borrow money upon its own obligation with and without the obligations of its customers as collateral and may rediscount the securities taken from its customers and enter into the necessary contracts for the sale, negotiation, and transfer with and without the guarantee of the corporation of the obligations and securities taken by it from its customers, and these contracts may be made with any bank, trust company, land bank, or other association or organization engaged in the business of making loans or authorized to make loans to the corporation or purchase or rediscount securities held by it. The total liability of the corporation shall at no time exceed three times the amount of its paid-up capital stock. The sale of any of the securities held by it to any other party, corporation, association, or financial organization and the guarantee of the payment of these securities shall not be considered a liability on the part of the corporation within the meaning of this section, and the corporation shall have authority to rediscount and transfer the securities taken by it from its

patrons, but at no time shall such rediscount exceed ten times the amount of the paid-up capital stock of the corporation.

[1923 c. 141 s. 6] (6070)

23.07 FORFEITURE OF STOCK, WHEN. Any stockholder who knowingly and intentionally violates the provisions of this chapter may be required, by the board of directors, to forfeit his stock; in which case the board of directors shall refund to the stockholder the par value of his stock. The stock so forfeited shall be retired and canceled by the board of directors and the stockholder shall have no further rights or benefits in the corporation.

At any regularly called general or special meeting of the stockholders a written vote, received by mail from an absent stockholder, certified to and signed by him, may be read in the meeting and shall be accepted as the vote of the stockholder so signing; provided, that the stockholder has had due and previous notice as to the issues involved and that a notice containing the exact text of the motion or resolution or amendment has been mailed to him at his last known post-office address and a copy of the same is forwarded with and attached to the vote so mailed by the absent stockholder. The board of directors may cause a referendum vote to be taken by mail upon any action or recommendation of the board or for the purpose of electing members upon the board of directors under the regulations above provided.

[1923 c. 141 s. 7] (6071)

23.08 MEETINGS OF STOCKHOLDERS. A meeting of the stockholders shall be held annually at the principal place of business of the corporation, at such time as shall be designated in the articles of incorporation. At such annual meeting reports covering the transactions of the corporation for the previous fiscal year shall be submitted to the stockholders by the officers, and the members of the board of directors shall be elected for the ensuing year at the meeting. The secretary shall give notice of the meeting by mailing notice 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 the meeting to be given, as herein provided. This notice shall state the time, place, and purpose of the meeting. Notice of regular or special meetings having been mailed to the stockholders, the secretary shall execute and file in his office an affidavit stating the date and manner in which the notice was given, containing a copy of the notice, and failure of any stockholder to receive the notice shall not invalidate any action taken by the stockholder at the regular or special meeting.

[1923 c. 141 s. 8] (6072)

23.09 QUORUM. The number of stockholders required to be present, in person or represented by mailing vote, at any regular or special stockholders' meeting to constitute a quorum for the transaction of business, shall be a majority of the stockholders, when the total number does not exceed 25, and one-third of the stockholders when the total number exceeds 25, but does not exceed 75, and in all cases when the total number of stockholders exceeds 75, 40 shall constitute a quorum. 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 company who are present and the entry on the register by the secretary of those who are represented by mail, which registration shall be certified by the president and secretary.

[1923 c. 141 s. 9] (6073)

23.10 BOARD OF DIRECTORS; OFFICERS. Every corporation shall be managed by a board of not less than five, nor more than seven, directors, the number of which shall be fixed in the articles of incorporation, who shall be members of the association and elected by the stockholders by ballot at the annual meeting. The stockholders, by resolution, may provide for the election of a certain number of the board of directors each year and fix the length of the term of the directors for a period not exceeding three years. 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 board of directors. Each officer shall be a director of the company. The offices of secretary and treasurer may be combined and when so combined the person shall be styled secretary-treasurer. A majority of the members of the board of directors shall constitute a quorum. The stockholders, at any regular

or special meeting called for that purpose, shall have power to remove any officer or director for cause and to fill the vacancy.

[1923 c. 141 s. 10] (6074)

23.11 RESERVE FUND. The board of directors shall set aside all of the net earnings of the first and second years of the corporation for the purpose of creating a reserve fund, until these earnings shall equal 50 per cent of the paid-up capital stock, and these net earnings, so far as may be necessary, may be so set aside each year thereafter, by vote of the stockholders, until this reserve shall equal the paid-up capital stock of the corporation, which reserve fund may be used in the business of the corporation the same as paid-up capital. The only dividends to be paid on the stock shall not exceed eight per cent per annum. After creating the reserve any additional net profits shall be disbursed by uniform dividends based upon business transacted with the corporation by way of loans made and may be distributed in the form of credits upon the interest due upon any existing obligation due the corporation from any of its patrons and upon the wages and salaries received by its employees. Non-stockholders shall receive dividends to the extent of one-half that paid to stockholders. The distribution of net earnings shall be made annually after the first year if sufficient funds remain to warrant such distribution after otherwise complying with the requirements of this section. If the board of directors of any corporation organized under this chapter shall authorize the payment of dividends on the paid-up capital stock of the corporation in excess of eight per cent, such act shall operate as the vacation of the office of the director or officer voting for or sanctioning the payment, and all members voting for the payment shall be personally liable to the corporation for the return to it of the money thus unlawfully distributed.

[1923 c. 141 s. 11] (6075)

23.12 ANNUAL STATEMENT. Every corporation organized under this chapter shall file annually with the department of commerce a complete detailed statement of its business for the last fiscal year, in such form as the commissioner of banks shall require, which report shall be made on or before the 15th day of March of each year after the corporation commenced business, and such additional reports shall, from time to time, be made by such corporation as he may, by notice or order, require, and it is hereby made his duty, annually, and at such other times as he may deem proper, to examine, or cause to be examined, the financial condition of the corporation, and to preserve in his office the record of such examination, which record shall be open to inspection by any stockholders of the corporation, and a copy thereof shall be filed with the secretary of the corporation. For each examination the commissioner of banks shall collect from the corporation the sum of \$15.00.

[1923 c. 141 s. 12] (6076)

23.13 AMENDMENTS TO ARTICLES. The articles of incorporation of any corporation organized under this chapter may be amended so as to change its corporate name or title, or so as to increase or diminish its capital stock, or to change the number and par value of the shares of its capital stock, or in respect to any other matter which the original articles of incorporation might lawfully have contained, in the following manner: The board of directors, by a majority vote of its members, may pass a resolution setting forth the full text of the proposed amendment and the full text of the sections that may be repealed or changed by the amendment and fixing a date for a meeting of the stockholders to vote upon the adoption of the amendment, which shall comply with the requirements of this chapter relative to calling special elections. Upon this action by the board of directors, notice shall be mailed by the secretary to each stockholder containing a copy of the resolution so adopted, the full text of the proposed amendment and of the sections amended or repealed. This notice shall also designate the time and place of the meeting at which the proposed amendment shall be considered and voted upon; if a quorum of the stockholders is registered as being present or represented by mail at this meeting, a majority of the members so present or represented by mail vote may adopt or reject the proposed amendment. In case the amendment is adopted, it shall be presented to the commissioner of banks for approval and published, filed, and recorded in the same manner as provided for approval, publication, and filing of the original articles of incorporation.

[1923 c. 141 s. 13] (6077)

23.14 BY-LAWS. The stockholders of any corporation organized under this chapter shall have authority to formulate and adopt a set of by-laws governing the

duties of the board of directors and officers and the manner and procedure in making loans and rediscounting paper and such other transactions as may be conducted by the corporation in transacting its business not inconsistent with the provisions of this chapter, which by-laws, before they shall take effect, shall be presented to and approved by the commissioner of banks, who shall have authority to modify and change the same to conform to the requirements of this chapter and the proper business methods in the transactions by the board of directors and officers of the corporation. It shall further be the duty of the commissioner of banks to cause to be drawn and prepared for use a set of articles of incorporation, in blank form, which shall be supplied to any parties desiring to form a corporation under the provisions of this chapter, and he shall supply such advice and assistance as he may deem necessary in assisting in the formation of any corporation under the provisions of this chapter.

[1923 c. 141 s. 14] (6078)