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THE GENERAL ASSEMBLY OF PENNSYLVANIA

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**SENATE BILL**

No. **643**

Session of  
1961

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INTRODUCED BY MESSRS. SEYLER, YATRON, MADIGAN,  
SESLER AND KALMAN, MAY 9, 1961.

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REFERRED TO COMMITTEE ON AGRICULTURE, MAY 9, 1961.

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**AN ACT**

Amending the act of June 12 1910 (P L. 400) entitled "An act to provide  
for the incorporation and regulation of cooperative agricultural  
associations not having a capital stock and not conducted for  
profit and defining agriculture so as to include persons engaged in  
agriculture dairying livestock raising poultry raising beekeeping  
and horticulture" further providing for the contents of the by-  
laws and contracts and the composition of the board of directors  
and providing for the vacating and forfeiting of the articles of  
associations and letters patent issued to such associations

EXPLANATION—CAPITAL LETTERS indicate new matter added to bill. Matter stricken through is to be omitted from bill. Underscoring indicates new matter added to existing law. [Brackets] indicate matter stricken from existing law.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows

1 Section 1 Section 13 act of June 12 1919 (P L 466) entitled "An act  
2 to provide for the incorporation and regulation of cooperative agricultural  
3 associations not having a capital stock and not conducted for profit and  
4 defining agriculture so as to include persons engaged in agriculture  
5 dairying livestock raising poultry raising beekeeping and horticulture"  
6 amended May 1 1929 (P L 1201) is amended to read

7 Section 13 The by-laws may require a member to sell all or any  
8 part of their specifically enumerated agricultural products and to buy all  
9 or any part of their specifically enumerated supplies exclusively through  
10 the association but in such case shall specify a reasonable period in each  
11 year during which any member by giving notice prescribed in the by-laws  
12 may withdraw and be released from his obligation to employ the services  
13 of the association in respect to such products and supplies The by-laws  
14 and contract may provide for cancelling patronage refunds or savings  
15 allocated to any member or other patron and may fix as liquidated dam-  
16 ages specific sums to be paid to the association to reimburse it for any  
17 damages which it or the members may sustain by the failure of any  
18 members to perform any obligation to the association under the articles

1 of association the by-laws or any contract with the association and such  
2 provision shall be valid and enforceable in the courts of this State The  
3 by-laws and contracts may provide that the association shall have the  
4 option to redeem the stock at par value plus declared or in the case of  
5 cumulative dividends accrued dividends whenever any contract between  
6 the association and its members for the sale of agricultural products to  
7 or through the association or its facilities shall have been cancelled in  
8 accordance with the terms or conditions of said contract or by reason  
9 of breach of said contract by the member

10 Section 2 Section 14 of the act amended September 27 1955 (P  
11 L 597) is amended to read

12 Section 14 The board of directors of each association shall con-  
13 sist of not less than five members At the first regular meeting of the  
14 association a quorum as specified by the by-laws being present the mem-  
15 bers shall elect from among themselves directors for such term as the by-  
16 laws may prescribe The by-laws of the association may provide a method  
17 by which directors shall be nominated and elected and may provide that  
18 the territory in which the association has members shall be divided into  
19 districts and may [apportion] allocate the directors to be elected in the  
20 respective districts on the basis either of the [member or] number of

1 members or the quantity of the Commodities produced for sale through  
2 the association in the respective districts and if on the basis of number  
3 of members each district shall contain such local groups of members or  
4 such members as the directors seem practicable taking into consideration  
5 any of the following factors (1) The number of members within the local  
6 groups (2) the location of local groups (3) the physical geography of the  
7 territory and the State and political subdivisions involved (4) the hauling  
8 routes shipping and receiving points and the markets for the products  
9 involved (5) the members relation to each other and (6) any other fac-  
10 tors relating to local groups of members deemed relevant by the board  
11 and the members' meeting for the nomination and election of directors  
12 may be held either at the principal office of the association or at district  
13 or local meetings of the members held at the usual meeting places of  
14 local groups of members that are organized for administrative purposes in  
15 the several communities or by delegates or representatives chosen for that  
16 purpose by the members in meetings assembled in the several local com-  
17 munities as the by-laws may direct Directors shall hold office until their  
18 successors have been elected and qualified and until their successors  
19 shall enter upon the discharge of their duties Vacancies shall be filled  
20 for the unexpired terms by the board of directors at any regular meeting

1 or at any special meeting called for the purpose The board of directors  
2 shall manage the affairs of the association and shall perform such other  
3 duties as may be specifically imposed upon the board by this act The  
4 board of directors may be a continuing body the term of one-third or as  
5 near as may be of whom shall expire each year and by-laws of the associa-  
6 tion may so regulate the terms of directors including the terms of addi-  
7 tional directors that may be authorized from time to time as to make effec-  
8 tive this principle

9 Section 3 Section 18 of the act amended April 27 1961 (Act No  
10 44) is amended to read

11 Section 18 Every association having a gross annual income not ex-  
12 ceeding two thousand dollars (\$2,000) shall from time to time appoint  
13 an auditing committee of three persons who shall not be directors officers  
14 agents or employes of the association but who may or may not be mem-  
15 bers of said association Said committee shall at the close of each fiscal  
16 year of such association examine its records and property and within one  
17 month after such examination report in writing the results thereof to  
18 the association At the close of each fiscal year in associations having a  
19 gross annual income exceeding two thousand dollars (\$2,000) a complete  
20 audit of the operations of the association shall be made by a qualified ac-

1 countant or accountants employed by the board of directors the written  
2 report of whom shall include statements of services rendered by the  
3 association the balance sheet the receipts and disbursements and the  
4 assets and liabilities the members admitted and withdrawn the total num-  
5 ber of members and other proper information and shall be submitted to  
6 the members at the next regular meeting Within three months after the  
7 expiration of the fiscal year for which made the secretary of said as-  
8 sociation shall file a summary of the statistical information contained  
9 in the report of audit with the Secretary of Agriculture of this Com-  
10 monwealth and with the Dean of the College of Agriculture of the  
11 Pennsylvania State University upon a form prescribed by the Secretary  
12 of Agriculture with the approval of the Dean of the College of Agri-  
13 culture

14 No person shall without the consent of the association except for  
15 official purposes or in obedience to judicial process make or permit any  
16 disclosure whereby any information contained in said summary of audit  
17 may be identified as having been furnished by said association and any  
18 person making or permitting any such disclosure as provided in this sec-  
19 tion shall be guilty of a misdemeanor and upon conviction thereof shall  
20 be punished by a fine of not more than three hundred dollars or im-

1 imprisonment for not more than six months or both at the discretion of the  
2 court All associations organized and doing business under the provisions  
3 of this act shall be exempt from the payment of any State tax upon  
4 net income or measured by net income and shall not be required to file  
5 with the Department of Revenue of this Commonwealth reports relative  
6 to such taxes

7 Any association which for three successive years shall fail to file  
8 with the Secretary of Agriculture the summary of audits hereinbefore  
9 provided shall [automatically annul] without any further action on the  
10 part of the Secretary of Agriculture or the Governor vacate and forfeit  
11 [the] its articles [of such association] and the letters patent issued to  
12 [such association] it whereupon the association shall cease and be de-  
13 termined saving however the right of the creditors and members in and  
14 to any property assets claims or demands of or belonging to such associa-  
15 tion

16 Any person who shall exercise or attempt to exercise any powers  
17 privileges or franchises under articles of association which have been  
18 annulled vacated and forfeited hereunder shall be guilty of a misde-  
19 meanor and upon conviction thereof shall be sentenced to pay a fine of

1 not more than three hundred dollars or undergo imprisonment for not  
2 more than six months or both

3 The Secretary of Agriculture shall on or before April 1 1962 and  
4 annually thereafter furnish each existing association and make public  
5 and record with the Secretary of the Commonwealth a listing of the status  
6 of existing associations

7 Section 4 This act shall take effect immediately

We certify that this bill has passed the Senate and the House of  
Representatives.

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Chief Clerk, Senate

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President pro tempore, Senate

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Speaker, House of Representatives

Approved The ..... day of ..... A. D. 1961.

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Governor