

No. 261

AN ACT

To further amend section 18 of the act, approved the twelfth day of June, one thousand nine hundred nineteen (Pamphlet Laws 466), 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," by providing for filing summaries of audits and for annulling, vacating or forfeiture of articles of association or associations failing to file such summaries.

Cooperative agricultural associations.

Section 18, act of June 12, 1919, P. L. 466, as last amended by act of May 23, 1945, P. L. 879, further amended.

Association to appoint auditing committee.

Committee to make annual examination of records and property, and make written report to association.

Annual audit.

Contents of audit report.

Summary of statistical information in audit report to be filed.

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

Section 1. Section 18 of the act, approved the twelfth day of June, one thousand nine hundred nineteen (Pamphlet Laws 466), 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," as last amended by the act, approved the twenty-third day of May, one thousand nine hundred forty-five (Pamphlet Laws 879), is hereby further amended to read as follows:

Section 18. Every association shall, from time to time, appoint an auditing committee of three persons, who shall not be directors, officers, agents or employes of the association, but who may or may not be members of said association. Said committee shall, at least once in each fiscal year of such association, examine its records and property, and, within one month after such examination, report in writing the results thereof to the association. At the close of each fiscal year, a complete audit of the operations of the association shall be made, in the case of associations having a gross annual income not exceeding two thousand dollars by said committee, in all other cases by a qualified accountant or accountants employed by the board of directors, the written report of whom shall include statements of services rendered by the association, the balance sheet, the receipts and disbursements, and the assets and liabilities, the members admitted and withdrawn, the total number of members, and other proper information, and shall be submitted to the members at the next regular meeting. Within three months after the expiration of the fiscal year for which made, the secretary of said association shall file a summary of the statistical information contained in the report of audit with the Secretary of Agriculture of this Commonwealth and with the Dean of the School of Agriculture of the Pennsylvania State College, upon

a form prescribed by the Secretary of Agriculture, with the approval of the Dean of the School of Agriculture.

[Any association, which for three successive years shall fail to file with the Secretary of Agriculture the summary of audit, hereinbefore provided, shall be notified by registered mail by the Secretary of Agriculture that such summary must be filed within thirty days from the date of mailing such registered notice. In the event such association fails to file the summary of audit within the period of thirty days, the Secretary of Agriculture shall certify to the Secretary of the Commonwealth that such association has failed to comply with the terms of this section. The Secretary of the Commonwealth upon receipt of said certificate shall, by registered mail, notify said association, its president and its treasurer at their last known addresses, that upon a day fixed by him, which shall not be less than thirty days nor more than forty-five days from the date of mailing such registered notices, a hearing will be held before him in his office at Harrisburg, Pennsylvania, to determine whether such association is still doing business. During the period between the mailing of such registered notices, and the date of the hearing, the Secretary of the Commonwealth shall cause an advertisement of the date and purpose of such hearing to be inserted for two successive weeks in at least one newspaper, of general circulation, in the county where the principal office of said association is located, which shall constitute notice to all interested parties. Such registered notices and such advertisement shall state that in the event no evidence is produced before the Secretary of the Commonwealth that such association is doing business, the record of such hearing will be transmitted and certified to the Attorney General for the purpose of instituting proceedings for the involuntary winding up and dissolution of such association, and to annul, vacate and forfeit the articles of such association.

At the hearing before the Secretary of the Commonwealth, the Secretary of Agriculture, or his deputy, shall be sworn and shall give testimony regarding the failure of such association to file the summaries of audits.

In the event that such association, prior to the hearing, shall have filed with the Secretary of Agriculture the summaries of audits for the preceding three years, such proceedings shall then be dismissed without prejudice to such association.

If testimony is presented at the hearing showing that such association is doing business, such proceedings shall then be dismissed, and if the officers of such association shall neglect or refuse to file such summaries of audits

with the Secretary of Agriculture and with the Dean of the School of Agriculture, as hereinbefore provided in this section, within thirty days from the date of said hearing, said officers shall be guilty of a misdemeanor, and upon conviction thereof, shall be punished by a fine of not more than three hundred dollars, or imprisonment for not more than six months, or both, at the discretion of the court.

In the event no testimony is presented to the Secretary of the Commonwealth that such association is doing business, the Secretary of the Commonwealth shall certify and transmit the record of such hearing to the Attorney General, who, at the expense of the Commonwealth, except as hereinafter provided, shall institute involuntary proceedings for the winding up and dissolution of such association, and to annul, vacate or forfeit the articles of such association. If in said involuntary proceedings said association shall appear in opposition thereto, and shall show that it is solvent and doing business, and the court shall dismiss the proceedings, said dismissal shall be at the cost of such association. In the event of such dismissal, if the officers of such association shall neglect or refuse to file such summaries of audit with the Secretary of Agriculture and with the Dean of the School of Agriculture, as hereinbefore provided in this section, within thirty days from the date of such dismissal, said officers shall be guilty of a misdemeanor, and, upon conviction thereof, shall be punished by a fine of not more than three hundred dollars, or imprisonment for not more than six months, or both, at the discretion of the court.] No person shall without the consent of the association, except for official purposes, or in obedience to judicial process, make or permit any disclosure, whereby any information contained in said summary of audit may be identified as having been furnished by said association, and any person making or permitting any such disclosure as provided in this section shall be guilty of a misdemeanor, and upon conviction thereof, shall be punished by a fine of not more than three hundred dollars, or imprisonment for not more than six months, or both, at the discretion of the court. All associations organized and doing business under the provisions of this act shall be exempt from the payment of any State tax upon net income or measured by net income, and shall not be required to file with the Department of Revenue of this Commonwealth reports relative to such taxes.

Disclosure of information contained in summary of audits made unlawful.

Penalty.

Exemption from taxation.

Failure to file summary of audits.

Notice.

*Any association which, for three successive years, shall fail to file with the Secretary of Agriculture the summary of audits hereinbefore provided shall be notified by registered mail by the Secretary of Agriculture that*

*such summaries must be filed within thirty days from the date of mailing such registered notice, and that failure to so file will result in annulment, forfeiture and vacation of the articles and letters patent of such association. In the event such association fails to file the summaries of audit within the period of thirty days, the Secretary of Agriculture shall certify to the Governor that such association has failed to comply with the terms of this section. The Governor shall thereupon by proclamation annul, vacate and forfeit the articles of such association and the letters patent issued to such association, whereupon the association shall cease and be determined, saving, however, the right of the creditors and members in and to any property, assets, claims or demands of or belonging to such association.*

Failure to comply after notice.

Governor may annul, vacate and forfeit articles and letters patent issued to such association.

*Any person who shall exercise or attempt to exercise any powers, privileges or franchises under articles of association which have been annulled, vacated and forfeited hereunder shall be guilty of a misdemeanor, and, upon conviction thereof, shall be sentenced to pay a fine of not more than three hundred dollars or undergo imprisonment for not more than six months, or both.*

Unlawful to exercise powers, etc., under such articles thereafter.

Penalty.

*The proclamation of the Governor annulling, vacating and forfeiting the articles of association of any association shall be recorded in the office of the Secretary of the Commonwealth and also in the office of the recorder of deeds in and for the county where the registered office of the association is situated, as set forth in the articles of association, and where it is different, then also in the office of the recorder of deeds in and for the county where the principal place of business is situated. Certified copies of the records thereof shall be competent evidence for all purposes in the courts of this Commonwealth.*

Proclamation of Governor annulling, vacating and forfeiting articles of association to be recorded.

Use of certified copies thereof as evidence.

Section 2. The provisions of this act shall become effective immediately upon final enactment.

Act effective immediately.

APPROVED—The 29th day of July, A. D. 1953.

JOHN S. FINE

No. 262

AN ACT

To further amend section 17 of the act, approved the thirtieth day of April, one thousand nine hundred twenty-nine (Pamphlet Laws 885), entitled "An act to provide for the incorporation and regulation of cooperative agricultural associations having capital stock; and defining agriculture so as to include persons