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Organizing a **Cooperative Cotton Gin**

by Otis T. Weaver and U. H. Prickett

Farm Credit Administration, Washington, D. C.

Cooperative Research and Service Division

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The Cooperative Research and Service Division conducts research studies and service activities relating to problems of management, organization, policies, merchandising, sales, costs, competition, and membership, arising in connection with the cooperative marketing of agricultural products and the cooperative purchase of farm supplies and services; publishes the results of such studies; confers and advises with officials of farmers' cooperative associations; and cooperates with educational agencies, cooperative associations, and others in the dissemination of information relating to cooperative principles and practices.

For sale by the Superintendent of Documents, Washington, D. C. . . . Price 10 cents

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APPENDIX A

SUGGESTED ORGANIZATION FORMS ¹⁷

FORMS designed for use in organizing a cooperative gin association with common and preferred stock, and alternate forms for organizing a nonstock association are included in this section of the publication. The ownership of common stock is restricted to one share for each producer. Consequently, the principle of one vote for each member is preserved, even in those States where each share of common capital stock carries a vote. The preferred stock carries no vote, and any number of shares may be held by anyone.

On pages 30-31 is a suggested form of organization agreement to be used by stock corporations, and on pages 31-33 a form to be used by nonstock corporations. An organization agreement is not indispensable to the formation of a cooperative gin association and in practice such associations are generally organized without the use of it. If such an agreement is not used other means must be employed to ascertain if the facts justify the formation of an association. Again, when deemed advisable, a form of organization agreement less comprehensive than the ones included herein may be used.

The form of ginning agreement which the organization agreement required to be attached thereto should convey to prospective members of the association who sign the organization agreement an understanding of substantially the form of agreement that they will be required to execute when the organization of the association is completed. The same form may be used for nonstock as well as stock associations. It follows that the ginning agreement which the board of directors finally adopts should not differ materially from the form attached to the organization agreement. On pages 33-34 is a form of ginning agreement which should be helpful in preparing such an agreement.

All of the forms suggested are intended primarily to illustrate the character of provisions deemed appropriate for cooperative associations operating gins, due consideration being given to the fact that such associations are local institutions which operate with relatively small memberships and over a comparatively small area for only a few months in each year; and these forms in any given State must be adapted to the statutory requirements thereof by a competent attorney.

In forming a cooperative gin, it is necessary to see that State laws applicable to the sale of stock, popularly known as "blue sky" laws are complied with, and to see that the association has the minimum paid-in capital required by law, and that stock subscribers pay at least the minimum required by law on their stock subscriptions.

Particular attention is directed to the provisions of articles X and XI of the suggested bylaws for stock corporations, which provide for the revolving capital plan of financing, and which involve the issuance of preferred stock to evidence retentions for capital purposes, and the retirement thereof as funds are available for that purpose, and the corresponding provisions appearing in the suggested bylaws for nonstock associations. In lieu of issuing preferred stock to evidence retentions, a revolving fund certificate may be used. Revolving fund certificates have certain advantages in that they may be issued to evidence any specific sum of money, and in this respect, differ from preferred stock certificates, which have a prescribed par value. Likewise, it may be found simpler to retire revolving fund certificates on a pro-rata basis by making partial payments which are endorsed on the back of the certificate than it is to retire preferred stock certificates on a

¹⁷ The essential provisions of these forms have been tested by U. H. Prickett in giving organization assistance to cooperative cotton gin associations in the Tenth Farm Credit District.

pro rata basis by partial payments. Also, in States where preferred stock carries a right to vote, it is necessary to use revolving fund certificates in order to prohibit nonmembers from voting. It is not necessary to issue either stock certificates or revolving fund certificates to evidence retentions for capital purposes as an association may rely on proper book entries, but generally speaking, the declaration of a patronage dividend which is evidenced by some form of a certificate is preferable.

ORGANIZATION AGREEMENT ¹⁰

for Cooperative Gin at

We, the undersigned, all of whom are residents of the State of, engaged in the production of cotton, together with signers of agreements identical herewith, to promote, foster, and encourage the ginning of cotton cooperatively, propose to organize a cooperative gin association at, with capital stock under the laws of the State of, and to acquire suitable facilities therefor by purchasing

(Here describe property to be acquired)

at a cost of not exceeding \$.....

The undersigned, each for himself and collectively for the express benefit of and for the association to be organized and in consideration of the premises and of the subscriptions of others to agreements identical herewith, hereby covenant and agree with each other as follows:

(1) The association shall be organized with suitable articles of incorporation and bylaws, under the guidance of an organization committee, consisting of the following persons:

Name	Address
.....	
.....	
.....	
.....	

If any member or members of this committee shall resign or be unable to act, the remainder of the committee may elect a successor to fill any such vacancy or the committee may increase its membership if deemed necessary.

(2) The organization committee shall keep a full, true and detailed account of all receipts and of all expenditures of every kind and shall have such accounts audited and render a written report thereof to the board of directors of the association, when organized, and shall thereupon turn over to the association any balance remaining in its hands free of obligation. If it is not so organized, such unexpended balance shall be prorated among those who contributed thereto.

(3) The amount of the capital stock shall be \$....., divided into shares of common stock, each of the par value of \$....., and shares of preferred stock, each of the par value of \$.....

(4) The undersigned agree to purchase and do hereby subscribe for the amount and kind of capital stock set opposite our respective names, and agree to pay for same as follows:

(Here insert the plan of stock payment to be used)

(5) If, on or before, 19....., bona fide subscriptions from acceptable parties to the common and preferred stock of the

¹⁰ For stock associations.

association shall equal the sum of \$..... and producers of cotton whose average annual production aggregates at least bales of cotton, have agreed to execute ginning agreements covering their cotton crops, the organization committee shall forthwith proceed to file the articles of incorporation and to have the organization of the association completed; subject, however, to the foregoing conditions only; the undersigned agree that their signatures hereto are irrevocable and they so agree in order to induce others to sign this or similar agreements for their mutual benefit.

(6) Acceptance of this agreement by the association shall be deemed conclusive upon the mailing of notice to that effect to the undersigned, at our respective addresses listed hereon, and such notice shall be conclusively established by the affidavit of the secretary of the association. Upon receipt of such notice, the undersigned shall promptly tender to the association the respective amounts subscribed for common and preferred stock or the initial payments required thereon.

(7) The undersigned represent that the average annual acres of cotton harvested and the average annual bales produced for the past years are set forth opposite our respective names.

(8) The undersigned agree that we will become members of the association when formed by executing ginning agreements, the terms of which shall be similar to the terms contained in the form attached hereto and made a part hereof.

In witness whereof, we have hereunto set our hands as of this day of, 19.....

Signature	Address	Stock subscription		Cotton crop (5-year average)	
		Shares, common	Shares, preferred	Acres grown	Bales made
.....					
.....					
.....					
.....					
.....					
.....					

ORGANIZATION AGREEMENT ¹⁰

for Cooperative Gin at

We, the undersigned, all of whom are residents of the State of, engaged in the production of cotton, together with signers of agreements identical herewith, to promote, foster, and encourage the ginning of cotton cooperatively, propose to organize a cooperative gin association at, without capital stock under the laws of the State of, and to acquire suitable facilities therefor by purchasing

(Here describe property to be acquired)

at a cost of not exceeding \$.....

¹⁰ For nonstock associations.

The undersigned, each for himself and collectively for the express benefit of and for the association to be organized and in consideration of the premises and of the subscriptions of others to agreements identical herewith, hereby covenant and agree with each other as follows:

(1) The association shall be organized with suitable articles of incorporation and bylaws, under the guidance of an organization committee, consisting of the following persons:

Name	Address
.....	
.....	
.....	
.....	

If any member or members of this committee shall resign or be unable to act, the remainder of the committee may elect a successor to fill any such vacancy or the committee may increase its membership if deemed necessary.

(2) The organization committee shall keep a full, true and detailed account of all receipts and of all expenditures of every kind and shall have such accounts audited and render a written report thereof to the board of directors of the association, when organized, and shall thereupon turn over to the association any balance remaining in its hands free of obligation. If it is not so organized, such unexpended balance shall be prorated among those who contributed thereto.

(3) The undersigned hereby apply for membership in the association and subscribe for revolving fund certificates in the amount set opposite our respective names, and agree to pay for same as follows:

(Here insert the plan of payment to be used)

(4) If, on or before, 19...., bona fide applications for membership in the association, and subscriptions for revolving fund certificates from acceptable parties shall equal the sum of \$....., and producers of cotton whose average annual production aggregates at least bales of cotton have agreed to execute ginning agreements covering their cotton crops, the organization committee shall forthwith proceed to file the articles of incorporation and to have the organization of the association completed; subject, however, to the foregoing conditions only; the undersigned agree that their signatures hereto are irrevocable and they so agree in order to induce others to sign this or similar agreements for their mutual benefit.

(5) Acceptance of this agreement by the association shall be deemed conclusive upon the mailing of notice to that effect to the undersigned, at their respective addresses listed hereon, and such notice shall be conclusively established by the affidavit of the secretary of the association. Upon receipt of such notice, the undersigned shall promptly tender to the association the respective amounts subscribed for membership and revolving fund certificates or the initial payments required thereon.

(6) The undersigned represent that the average annual acres of cotton harvested and the average annual bales produced for the past years are set forth opposite their respective names.

(7) The undersigned agree that they will become members of the association when formed by executing ginning agreements, the terms of which shall be similar to the terms contained in the form attached hereto and made a part hereof.

In witness whereof, we have hereunto set our hands as of this day of, 19....

Signature	Address	Capital subscription		Cotton crop (6-year average)	
		Membership certificate	Revolving fund certificate	Acres grown	Bales made

GINNING AGREEMENT

This agreement, between the Association, hereinafter called the "Association," and the undersigned, hereinafter called the "Grower,"

WITNESSETH:

(1) The Grower agrees to deliver to the Association for ginning all cotton produced by or for him, and to sell to the Association or otherwise deliver to it for marketing or for processing, either through its own facilities or by a cooperative oil mill all the seed from said cotton, except cottonseed retained for planting or home use, or which, on request of the Grower, shall be excepted herefrom by order of the board of directors of the Association.

(2) The Grower hereby expressly authorizes and directs the board of directors of the Association to fix the charges for ginning, wrapping, drying, or otherwise processing or handling cotton and cottonseed, the price to be paid for cottonseed, and the amount to be paid per bale to the Association by Grower for capital purposes which shall be evidenced as provided in the bylaws, and shall not exceed \$..... per bale of cotton ginned; and the Association shall make such advances on cottonseed, other than that purchased by the Association, as may be found practicable.

(3) The Association may borrow money for its own account and pledge all of such cottonseed as security therefor without limitation and the Association is authorized to sell such cottonseed when and as it deems best.

(4) The Association may enter into agreements with other growers differing in terms from those contained herein, but consistent with the bylaws of the Association, without invalidating this agreement provided that the Grower, at his request, may execute a similar agreement as a substitute for this contract.

(5) Inasmuch as the remedy at law would be inadequate and inasmuch as it would be impracticable and extremely difficult to determine the actual damage resulting to the Association should the Grower fail to deliver his cotton hereunder, regardless of the cause of such failure, the Grower hereby agrees to pay to the Association for all cotton delivered elsewhere for ginning by or for him, other than in accordance with the terms hereof, the sum of cents per on all cotton so delivered, as liquidated damages for the breach of this contract; all parties agreeing that this contract is one of a series dependent for its true value

----- Association,
By -----,
President.
By -----,
Secretary.

²¹ See footnote 20.

ARTICLES OF INCORPORATION ²²

of

Association ²³

We, the undersigned, all of whom are residents and citizens of the State of _____, engaged in the production of agricultural products, do hereby voluntarily associate ourselves together for the purpose of organizing, incorporating, and operating a cooperative association with capital stock under the provisions of _____

of the State of _____, and amendments thereto, with all the rights, powers, privileges, benefits, and immunities given or permitted corporations so formed; and for that purpose hereby adopt these articles of incorporation:

ARTICLE I

The name ²⁴ of the association shall be _____

ARTICLE II

The association is formed for the purpose of engaging in the following activities:

(a) Ginning, wrapping, and otherwise processing cotton, and/or processing cottonseed and other farm products.

(b) Buying, selling, storing, shipping, hauling, and otherwise handling cotton, cottonseed and cottonseed products, and/or other farm products and the by-products thereof.

(c) Buying, selling, dealing in, and handling (1) bagging, ties, and all other supplies necessary and incidental to ginning cotton, (2) any articles, materials, and supplies used in processing and/or handling other farm products, or the byproducts thereof, and (3) any farm materials, supplies, and equipment.

ARTICLE III

The association shall have the following powers:

(a) To transact business with nonmembers, provided the business transacted with such nonmembers is not greater in value than that transacted with its members.²⁵

(b) To act as the agent or representative of any patron or patrons in any of the activities mentioned in article II hereof.

(c) To buy, acquire, hold, own, lease, give as security, sell and otherwise dispose of, and exercise all privileges of ownership over real and personal property of any character, and/or interest therein, as may be deemed necessary or desirable for the conduct of the business of the association, or incidental thereto.

(d) To borrow money for any purpose of the association without limitation, and to issue notes, bonds, debentures, or other obligations therefor which may be secured in any manner permitted by law.²⁶

²² For stock associations.

²³ Articles of incorporation must meet strictly the requirements of the law of the State in which an association is being incorporated and this form must be changed accordingly.

²⁴ Some States have restrictions regarding names, and particularly on the use of the word "cooperative."

²⁵ In some States this provision must be omitted or modified to meet the requirements of the statute.

²⁶ Under some statutes the maximum amount of corporate indebtedness that may be incurred must be stated in the articles of incorporation.

(e) To buy, hold, retire, and dispose of its own capital stock in accordance with the law.

(f) To establish reserves and invest the funds thereof, or any other funds of the association, in bonds or in such other property as may be specified in the bylaws.

(g) To guarantee, endorse, purchase or otherwise acquire, hold, sell, assign, transfer, mortgage, pledge, or otherwise dispose of shares of stock, bonds, or other evidences of indebtedness of any corporation or association engaged in any related activity, and to vote, cooperate, and share in the management or control of such organization, its activities and affairs.

(h) To participate by membership, stock ownership, contract or otherwise, in the management of cooperative agencies for the furthering of any of the purposes of this association.

(i) To do each and every thing necessary, suitable or proper for the accomplishment of any of the purposes or the attainment of any one or more of the objects herein enumerated; or conducive to or expedient for the interest or benefit of the association; and to contract accordingly; and in addition, to exercise and possess all powers, rights, and privileges, necessary or incidental to the purposes for which the association is organized, or to the activities in which it is engaged, and to have and exercise all the powers, privileges, and rights granted, authorized or allowed to associations organized under and amendments thereto, and all other powers, privileges, and rights authorized or allowed to corporations by other laws of the State of insofar as they are not in conflict with the express provisions of the law under which the association is organized.

ARTICLE IV

The association shall have its principal place of business in the City of , County of , State of

ARTICLE V

The term for which this association shall exist is years from and after the date of its incorporation.¹⁷

ARTICLE VI

The management of the business and affairs of the association shall be vested in a board of directors consisting of ¹⁸ members, each of whom shall be a holder in good standing of one fully paid share of common stock of the association. Directors shall be elected at each annual meeting of the stockholders of the association, for terms ending at the next annual meeting, and unless sooner removed by death, resignation, or for cause, they shall hold office until their successors have been elected and qualified. The names¹⁹ and addresses of those who are to serve as incorporating directors until the first annual meeting of the stockholders, or until their successors are elected and qualified are:

¹⁷ If the act under which the association is organized permits perpetual existence, this article may read: "This association shall have perpetual existence."

¹⁸ If the statute under which an association is to be incorporated will permit, it is preferable to state in the articles of incorporation only the minimum number of directors that the association will have, providing in the bylaws, which may be more easily amended, for the actual number.

¹⁹ Some statutes do not require that the names of the original directors be given in the articles of incorporation.

Name

Address

ARTICLE VII

SECTION 1. The amount of the authorized capital stock shall be _____ Dollars (\$ _____), divided into _____ shares of common stock, each of the par value of _____ Dollars and _____ shares of preferred stock, each of the par value of _____ Dollars.

SEC. 2. The common stock of the association shall only be issued or transferred to, or held by producers of agricultural products who agree to patronize the association, in accordance with uniform terms and conditions prescribed thereby in a ginning agreement, and no person, firm, or corporation shall own or hold at any one time more than one share of such common stock, or shall have more than one vote at meetings of the stockholders.²⁰ The common stock shall not bear dividends. The common stock shall only be transferred upon approval of the board of directors. No purported transfer of common stock shall pass any right or privilege on account of such stock, or any vote or voice in the control or management of the association unless the recipient thereof is eligible, as herein defined, to hold such stock, and such transfer is approved by the board of directors. The voting rights of any holder of common stock who ceases to be eligible to hold such stock, or who violates any of the terms and conditions of the uniform ginning agreement, bylaws, or rules and regulations of the association, or who fails to observe any obligation or duty to the association, may be suspended by action of the board of directors following a hearing held as provided in the bylaws. In any case in which the voting rights of any holder of common stock have been suspended by the board of directors, the association shall have the right, at its option (a) to purchase such stock at its book or par value, whichever is less, as determined by the board of directors of the association, (b) to require the transfer of any such stock at such book or par value to any person or association eligible to hold the same or (c) to require such holder of any such stock to convert the same into shares of preferred stock of equal par value.

In exercising its right to purchase or require the transfer or conversion into preferred stock of common stock, if such holder fails to deliver the certificate or certificates evidencing the same, the association may cancel such certificate or certificates on its books and issue a new certificate or certificates of common or preferred stock, as the case may be, to the party entitled thereto.

SEC. 3. The preferred stock of the association shall bear noncumulative dividends not exceeding _____ percent per annum, if earned and when declared by the board of directors; and such dividends shall have preference over any and all other dividends or distributions declared in any year. At the discretion of the board of directors, all dividends on preferred stock, or any part thereof, may be paid in additional certificates of preferred stock and/or credits on preferred stock. The preferred stock shall carry no voting rights²¹ and such stock, or any part thereof, may be redeemed or retired upon call of the board of directors from time to time provided said stock is called and retired in the same order as originally issued. All such preferred stock so retired shall be paid for

²⁰ It may be deemed desirable to authorize voting on a patronage basis in those States where this is permitted.

²¹ In some States, all stock carries a right to vote.

in cash at the par value thereof, plus any dividend declared thereon and unpaid; and such stock shall not bear dividends after the date fixed in the call for its retirement. Upon distribution of the assets of the association in the event of dissolution or liquidation, the holders of preferred stock shall be entitled to receive the par value of their preferred stock, plus any dividend declared thereon and unpaid, before any distribution is made on common stock.

SEC. 4. All transfers of stock shall be made on the books of the association only on surrender of the certificate covering the same by the holder thereof, or by attorney properly authorized. The association shall have a lien on all stock, and on any dividends declared thereon, for all indebtedness of the holder thereof to the association. In the event of dissolution or liquidation of the association, no holder of stock shall be entitled to receive any distribution of the assets on such stock in excess of the par value thereof, plus any dividend declared thereon and unpaid; and any assets remaining after the payment of all debts, and the retirement of all stock and credits on stock, at par value, shall be distributed on a patronage basis as provided in the bylaws.

In testimony whereof, we have hereunto set our hands this

day of, 19.....

(The statutory form of acknowledgment should be added and the required number of incorporators should acknowledge)

ARTICLES OF INCORPORATION ³²

of

Association ³³

We, the undersigned, all of whom are residents and citizens of the State of, engaged in the production of agricultural products, do hereby voluntarily associate ourselves together for the purpose of organizing, incorporating, and operating a cooperative association without capital stock under the provisions of

of the State of, and amendments thereto, with all the rights, powers, privileges, benefits, and immunities given or permitted corporations so formed; and for that purpose hereby adopt these Articles of Incorporation:

ARTICLE I

The name ³⁴ of the association shall be

ARTICLE II

The association is formed for the purpose of engaging in the following activities:

(a) Ginning, wrapping, and otherwise processing cotton, and/or processing cottonseed and other farm products.

³² For nonstock associations.

³³ Articles of incorporation must strictly meet the requirements of the law of the State in which an association is being incorporated and this form must be changed accordingly.

³⁴ Some States have restrictions regarding names, and particularly on the use of the word "cooperative."

(b) Buying, selling, storing, shipping, hauling, and otherwise handling cotton, cottonseed, and cottonseed products and/or other farm products and the by-products thereof.

(c) Buying, selling, dealing in, and handling (1) bagging, ties, and all other supplies necessary and incidental to ginning cotton, (2) any articles, materials, and supplies used in processing and/or handling other farm products, or the byproducts thereof, and (3) any farm materials, supplies, and equipment.

ARTICLE III

The association shall have the following powers:

(a) To transact business with nonmembers, provided the business transacted with such nonmembers is not greater in value than that transacted with its members.³⁵

(b) To act as the agent or representative of any patron or patrons in any of the activities mentioned in Article II hereof.

(c) To buy, acquire, hold, own, lease, give as security, sell, and otherwise dispose of, and exercise all privileges of ownership over real and personal property of any character, and/or interest therein, as may be deemed necessary or desirable for the conduct of the business of the association, or incidental thereto.

(d) To borrow money for any purpose of the association without limitation, and to issue notes, bonds, debentures, or other obligations therefor which may be secured in any manner permitted by law.³⁶

(e) To buy, hold, retire, and dispose of its own capital obligations in accordance with the law.

(f) To establish reserves and invest the funds thereof, or any other funds of the association, in bonds or in such other property as may be specified in the bylaws.

(g) To guarantee, endorse, purchase, or otherwise acquire, hold, sell, assign, transfer, mortgage, pledge, or otherwise dispose of shares of stock, bonds, or other evidences of indebtedness of any corporation or association engaged in any related activity, and to vote, cooperate, and share in the management or control of such organization, its activities, and affairs.

(h) To participate by membership, stock ownership, contract or otherwise, in the management of cooperative agencies for the furthering of any of the purposes of this association.

(i) To do each and every thing necessary, suitable, or proper for the accomplishment of any of the purposes or the attainment of any one or more of the objects herein enumerated; or conducive to or expedient for the interest or benefit of the association; and to contract accordingly; and in addition, to exercise and possess all powers, rights, and privileges, necessary or incidental to the purposes for which the association is organized, or to the activities in which it is engaged, and to have and exercise all the powers, privileges, and rights granted, authorized, or allowed to associations organized under and amendments thereto, and all other powers, privileges, and rights authorized or allowed to corporations by other laws of the State of, insofar as they are not in conflict with the express provisions of the law under which the association is organized.

³⁵ In some States this provision must be omitted or modified to meet the requirements of the statute.

³⁶ Under some statutes the maximum amount of corporate indebtedness that may be incurred must be stated in the articles of incorporation.

ARTICLE IV

The association shall have its principal place of business in the City of _____, County of _____, State of _____.

ARTICLE V

The term for which this association shall exist is _____³⁷ years from and after the date of its incorporation.

ARTICLE VI

The management of the business and affairs of the association shall be vested in a board of directors consisting of _____³⁸ members, each of whom shall be a member in good standing of the association. Directors shall be elected at each annual meeting of the members of the association for terms ending at the next annual meeting, and unless sooner removed by death, resignation, or for cause, they shall hold office until their successors have been elected and qualified. The names³⁹ and addresses of those who are to serve as incorporating directors until the first annual meeting of the members, or until their successors are elected and qualified are:

Name	Address
_____	_____
_____	_____

ARTICLE VII

The association shall not have any capital stock, but shall admit applicants to membership in the association upon such uniform conditions as may be prescribed by the board of directors of the association, and in its bylaws. The association shall be operated on a cooperative basis, for the mutual benefit of its members as producers, and only producers of cotton may be admitted to membership. The voting power of the members of the association shall be equal, and each member shall have one vote only.⁴⁰

The property rights and interests of each member in the association shall be unequal; and shall be determined and fixed in the proportion that the patronage of each member shall bear to the total patronage of all the members with the association. New members admitted to membership shall be entitled to share in the property of the association in accordance with the foregoing general rule.

In testimony whereof, we have hereunto set our hands this _____ day of _____, 19____.

(The statutory form of acknowledgment should be added and the required number of incorporators should acknowledge.)

³⁷ If the act under which the association is organized permits perpetual existence, this article may read: "This association shall have perpetual existence."

³⁸ If the statute under which an association is to be incorporated will permit, it is preferable to state in the articles of incorporation only the minimum number of directors that the association will have, providing in the bylaws, which may be more easily amended, for the actual number.

³⁹ Some statutes do not require that the names of the original directors be given in the articles of incorporation.

⁴⁰ It may be deemed desirable to authorize voting on a patronage basis in those States where this is permitted.

BYLAWS ⁴¹

of the

ARTICLE I

POWERS AND PURPOSES

The powers and purposes of this association are those set forth in the articles of incorporation. The articles of incorporation shall control in the event of any conflict between its provisions and any part of these bylaws.

ARTICLE II

CAPITAL STOCK

The authorized capital stock of the association as set forth in the articles of incorporation shall have such voting rights, bear such dividends, and be issued, transferred, redeemed, or retired as provided in article VII of said articles of incorporation. Sections 2 and 4 of article VII of the articles of incorporation shall be printed verbatim on each certificate of common stock and sections 3 and 4 of article VII of the articles of incorporation shall be printed verbatim on each certificate of preferred stock.

ARTICLE III

MEMBERSHIP

SECTION 1. *Qualifications.*—Any person, firm, or corporation, including landlords who receive as rent a part of the crop raised on leased premises, engaged in the production of agricultural products may, subject to the approval of the board of directors, become a member of this association by acquiring one share of the common stock thereof, and by entering into a ginning agreement with the association in the form prescribed by the board of directors.

SEC. 2. *Suspension of voting rights.*—The voting rights of any holder of common stock who ceases to be eligible to hold such stock or who violates any of the terms and conditions of the uniform ginning agreement, bylaws, or rules and regulations of the association, or who fails to observe any obligation or duty of a holder of such stock, may be suspended by a majority vote of the board of directors; provided, however, that before the voting rights are suspended for any cause, the board of directors shall hold a meeting for the purpose of hearing and receiving evidence of the charges preferred against him; and at such meeting, he shall have the right to present witnesses and be heard in person or by counsel in answer thereto; and the person bringing the charges against him shall have the same opportunity. Notice of such meeting, containing a statement of the charges preferred against a holder of common stock, shall be mailed to such holder at least ten days previous to the date of the meeting. A holder of common stock whose voting rights have been suspended by the board of directors shall thereafter be deemed a member not in good standing, and as such, ineligible to serve the association as a director or officer thereof.

⁴¹ For stock associations.

In any case in which the voting rights of any holder of common stock have been suspended by the board of directors, the association shall have the right, at its option (a) to purchase such stock at its book or par value, whichever is less, as determined by the board of directors of the association, (b) to require the transfer of any such stock at such book or par value to any person or association eligible to hold the same, or (c) to require such holder of any such stock to convert the same into shares of preferred stock of equal par value.

In exercising its right to purchase or require the transfer or conversion of common stock into preferred stock, if such holder fails to deliver the certificate or certificates evidencing the same, the association may cancel such certificate or certificates on its books and issue a new certificate or certificates of common or preferred stock, as the case may be, to the party entitled thereto. The suspension of voting rights of any holder of common stock in the association or the disposition of the common stock held by any stockholder in the manner provided above shall not impair the obligations or liabilities of the association or of such stockholder under any contract which may be terminated only as provided therein, or the right of such stockholder to receive payment of any revolving fund certificates which he may hold in the same order and manner as other members of the association.

ARTICLE IV

NONMEMBER PATRONS

The association may transact business with nonmembers, provided the business transacted with such nonmembers is not greater in value than that transacted with its members.⁴³

ARTICLE V

STOCKHOLDERS' MEETINGS

SECTION 1. Annual meeting.—The annual meeting of the stockholders of this association shall be held in its office in the town of _____, at _____ o'clock ____ M., on the _____ in _____ of each year, if not a legal holiday, and if a legal holiday, on the next business day following; provided that the board of directors may upon due notice change the place for holding any annual meeting to any place within the said town, and may change the date to any day within 15 days of the date specified, and the time of day to any other reasonable time.

SEC. 2. Special meetings.—Special meetings of the stockholders of this association may be held at any time when called in the manner as hereinafter provided. The board of directors shall designate the date, time, and place for holding all special meetings, but such place shall be in the town of _____. Special meetings may be called at any time by the board of directors and shall be called by said board upon receipt of a written request containing a statement of the specific business to be considered, signed by at least _____ percent of the holders of fully paid-up common stock, provided that in no case shall the required number of signatures to such request be less than _____; and upon receipt of such request the board of directors shall order a meeting held within 30 days from the date of such receipt. The purpose of every special meeting shall be stated in the notice thereof, and no business shall be transacted thereat except such as is specified in the notice.

SEC. 3. Notice of meetings.—Written or printed notice of all meetings of the stockholders, stating the nature, time, place, and purpose thereof, shall be mailed to each holder of fully paid-up common stock at the address shown on the books

⁴³ In some States, this provision must be omitted or modified to meet the requirements of the statute.

of the association, or handed to such stockholder, at least days prior to the time for holding the meeting.

SEC. 4. *Voting rights and quorum.*—Only holders of fully paid-up common stock in good standing shall have the right to vote at meetings of the stockholders, and no holder of such stock shall have more than one vote. ⁴³ percent of the holders of fully paid-up common stock, present in person, shall constitute a quorum for the transaction of business at any meeting of the stockholders of this association; and a vote of the majority of such stockholders present at such meeting shall be sufficient to pass or reject any measure properly placed before the meeting, except for the transaction of business for which a different quorum and a different vote is specifically provided by statute or by these bylaws.

SEC. 5. *Voting by proxy.*⁴⁴—Voting by proxy is prohibited.

SEC. 6. *Order of business.*—The order of business at the annual meeting and at other meetings of the stockholders, as far as practicable, shall be:

- (1) Calling meeting to order.
- (2) Proof of due notice of meeting.
- (3) Proof of quorum.
- (4) Reading and action on any unapproved minutes.
- (5) Reports of officers and committees.
- (6) Election of directors.
- (7) Unfinished business.
- (8) New business.
- (9) Adjournment.

ARTICLE VI

BOARD OF DIRECTORS

SECTION 1. *Number and qualifications.*—The business and affairs of this association shall be conducted and managed by a board of directors consisting of members, each of whom shall be a member in good standing of the association and the owner of one fully paid-up share of common stock. No persons engaged in business in competition with the association shall be eligible to serve as a director, and if a majority of the board of directors finds at any time following a hearing that any director is so engaged or affiliated, he shall thereupon cease to be a director.

SEC. 2. *Election and term of office.*—Directors shall be elected at each annual meeting of the stockholders for terms ending at the next annual meeting. And, unless they shall resign, die, become disqualified, or be removed in the manner provided in section 6 hereof, they shall hold office until their successors have been elected and qualified.

SEC. 3. *Meetings.*—As soon as practicable and within 10 days following the annual meeting of the stockholders each year, the board of directors elected thereat shall hold a regular meeting at such time and place in the town of, as may be designated by the president. Special meetings of the board may be held at any time when called in the manner hereinafter provided. Such special meetings shall be called upon order of the president, or upon written request of a majority of the directors. The president or directors in ordering the call shall designate the date, time, and place for holding the meeting, but such place shall be in the town of

⁴³ If permitted by law the number of stockholders necessary to constitute a quorum should be small, in order that meetings may not fail for lack of a quorum.

⁴⁴ The right of a stockholder to vote by proxy is granted in some States.

Any business of the association may be transacted at any special meeting of the board whether or not such business is stated in the call.

SEC. 4. *Notice of meetings.*—Written notice of regular and special meetings, stating the time, place, and purpose thereof, shall be mailed or handed to each director at least days prior to the time for holding the meeting; provided, however, that directors may waive, in writing, notice of any meeting.

SEC. 5. *Vacancies.*—Vacancies in the board of directors, other than by expiration of term, shall be filled by a majority vote of the remaining directors in office. Directors to fill such vacancies shall be elected for the unexpired term of those whom they succeed.

SEC. 6. *Removal of directors.*—Whenever the board of directors shall find, following a hearing, that any director of the association has ceased to be eligible for the office of director, as defined in section 1 of this article, his membership on the board of directors shall terminate. Any director of the association may be removed from office by a vote of a majority of the holders of fully paid-up common stock in good standing, attending any special meeting called for that purpose, at which a majority of such stockholders are present. Special meetings of the stockholders for voting upon the removal of a director shall be called only when a holder of common stock brings charges against such director by filing them in writing, with the secretary of the association, together with a petition signed by percent of the holders of common stock, in good standing, requesting the removal of the director in question. The director against whom such charges have been brought shall be informed in writing of the charges at least days previous to the meeting and shall have an opportunity at the meeting to present witnesses and be heard in person or by counsel in answer thereto; and the person or persons bringing the charges against him shall have the same opportunity. Any vacancy created by such termination or removal from office shall be filled in the manner provided in section 5 hereof.

SEC. 7. *Quorum.*—A majority of the members of the board of directors shall constitute a quorum for the transaction of business at any meeting of the board except for the transactions of business in which a different vote is specifically provided by statute or by these bylaws, but no measure shall be effective unless approved by a majority of the entire membership of the board.⁴⁴

SEC. 8. *Compensation, employment and contracts.*—The members of the board of directors shall receive no compensation for their services as members of the board, but may receive a reasonable per diem to cover necessary expenses while engaged in the business of the association. No member of the board of directors during his term of office, shall have any contract, arrangement, or agreement for profit with the association differing in terms or purposes from contracts, arrangements, and agreements accorded other members.

ARTICLE VII

DUTIES AND POWERS OF DIRECTORS

SECTION 1. *Management of business.*—The board of directors shall have general supervision and control of the business and affairs of the association and shall make all rules and regulations, not inconsistent with law or with these bylaws, for the management of the business and guidance of the officers, employees and agents of the association. They shall have installed an accounting system which

⁴⁴ In some instances it may be deemed advisable to include a bylaw reading as follows: "*Referendum.*—Upon demand of one-third of the entire board of directors, any matter that has been approved or passed by the board must be referred for decision to a special meeting of the stockholders, which shall be called for that purpose, or to the annual meeting if same is to be held within 30 days from such demand. The decision on such matter at said meeting shall be binding upon the board of directors."

shall be adequate to the requirements of the business, and it shall be their duty to require proper records to be kept of all business transactions.

SEC. 2. *Employees.*—The board of directors shall have the power to employ and dismiss, or to authorize the employment and dismissal of a manager and such other employees as may be deemed necessary and to fix their compensation, provided, however, that members of the board of directors and members of their immediate families and members of the immediate families of the officers and of the manager shall not be employed by the association for more than 30 days in any year, unless such employment is unanimously approved by the board of directors. The manager shall have charge of the business of the association under the direction of the board of directors. No director shall serve as manager unless unanimously approved by the board of directors.

SEC. 3. *Bonds and insurance.*—The board of directors shall require the manager and all other officers, agents, and employees that may have custody of any of its funds or negotiable instruments to give adequate bonds. Such bonds, unless cash security is given, shall be furnished by a responsible bonding company and approved by the board of directors, and the cost thereof shall be paid by the association. The board of directors shall provide adequate insurance covering loss of, or damage to, the property of the association and property in its possession and custody for which it is liable, by fire, tornado, or windstorm, and in addition insurance covering liability for accidents to all employees and the public.

SEC. 4. *Ginning agreements.*—The board of directors shall prescribe and adopt the form of ginning agreement to be entered into by the association with its members for periods of not to exceed ----- years, but may provide for the annual renewal thereof. The board of directors shall have the power to carry out such ginning agreements in every way advantageous to the association, representing the producers collectively. A separate service agreement may be adopted, in the discretion of the board of directors, for each activity in which the association may engage.

SEC. 5. *Depository.*—The board of directors shall have the power to select one or more banks to act as depositories of the funds of the association and to determine the manner of receiving, depositing, and disbursing the funds of the association and the form of checks and the person or persons by whom same shall be signed, with the power to change such banks and the person or persons signing such checks and the form thereof at will.

SEC. 6. *Borrowing money.*—The officers of the association who are authorized to do so by the board of directors of the association may borrow money for and on behalf of the association for any association purpose on open account or otherwise, with or without security, in such amounts and upon such terms and conditions as may from time to time appear advisable, subject to any legal requirements applicable thereto.⁴⁸

SEC. 7. *Investments.*—The board of directors shall have the right and power to invest any funds of the association not needed in the operation of the business, including reserve funds, in bonds or in such other property as it may deem advisable.

SEC. 8. *General powers of board of directors.*—The board of directors of the association shall have the power and authority consistent with law, the articles of incorporation and these bylaws to provide for the carrying out of the contracts and agreements of the association and to authorize officers thereof to enter into contracts and agreements on behalf of the association and to authorize any and all acts that are deemed conducive to furthering the purposes for which the association is formed, except that the board of directors shall not have authority to sell and

⁴⁸ In some States there are statutory restrictions which must be met on the mortgaging of property.

convey the real property, machinery, or equipment of the association without being authorized by a meeting of the holders in good standing of fully paid-up common stock unless such conveyance is for the purpose of securing an indebtedness or the sale is of machinery, or equipment not used in the operation of the business, or unless the sale is made for replacement purposes.⁴⁷

ARTICLE VIII

OFFICERS

SECTION 1. *Officers and qualifications.*—The officers of the association shall be a president and a vice president, each of whom shall be a member of the board of directors; a secretary-treasurer, or a secretary and a treasurer, who may or may not be directors or stockholders of the association; and such other officers as the board of directors deems necessary.⁴⁸ No compensation shall be paid to any officer but he may receive a reasonable per diem to cover only necessary expenses while engaged in the business of the association.

SEC. 2. *Election and term of office.*—All officers shall be elected by the board of directors for terms not extending beyond the first regular meeting of the board of directors following the next annual meeting of the stockholders and, unless sooner removed by death, resignation, or for cause, they shall hold office until their successors have been elected and qualified.

SEC. 3. *Removal of officers.*—Any officer of the association required to be a member thereof, whose right to vote as a member of the association has been suspended or who has ceased to be qualified to act as a director of the association, shall thereupon cease to be an officer. The board of directors may remove any officer by a majority vote at any meeting of the board; and the stockholders may remove any officer in the same manner as directors may be removed as provided in section 6 of article VI hereof.

ARTICLE IX

DUTIES OF OFFICERS

SECTION 1. *Duties of president.*—The president shall preside over all meetings of the stockholders and the board of directors; call special meetings of the board of directors; perform all acts and duties usually performed by an executive and presiding officer; serve as an ex-officio member of all committees of the association; sign all stock certificates and such other documents and papers as he may be authorized to sign by the board of directors; provided, the board of directors may authorize any person to sign any or all checks, contracts, and other instruments in writing on behalf of the association. The president shall perform such other duties as may be prescribed by the board of directors.

SEC. 2. *Duties of vice president.*—In the absence or disability of the president, the vice president shall perform the duties of the president; provided, however, that in case of death, resignation, disqualification or disability of the president, the board of directors may declare the office vacant and elect his successor.

SEC. 3. *Duties of secretary-treasurer.*—The secretary-treasurer shall keep a complete record of all meetings of the stockholders and of the board of directors. He shall have general charge and supervision of the books and records of the association, and shall perform such duties with respect to the finances of the association as may be prescribed by the board of directors. He shall sign all stock certificates and such other papers pertaining to the association as he may

⁴⁷ In some States there are statutory restrictions which must be met on the mortgaging of property.

⁴⁸ See statutory provisions on election and qualifications of officers.

be authorized or directed to do by the board of directors. He shall serve all notices required by law and these bylaws and shall make a full report of all matters and business pertaining to his office to the stockholders at the annual meeting. He shall provide for the keeping of detailed and proper stock and patron records. He shall keep the corporate seal and affix said seal to all papers requiring a seal. He shall make all reports required by law, and shall perform such other duties as may be required of him by the association or the board of directors. Upon the election of his successor, the secretary-treasurer shall turn over to him all books and other property belonging to the association that he may have in his possession. If the offices of secretary and treasurer are held by different persons, the board of directors shall prescribe the duties and responsibilities of each.

SEC. 4. *Duties of other officers.*—Any other officers elected to offices created by the board of directors shall perform such duties with respect to such offices as may be prescribed by the board of directors.

ARTICLE X

DETERMINATION AND DISTRIBUTION OF INCOME

SECTION 1. *Audits.*—The board of directors shall have a complete audit made of the books and accounts of the association for the fiscal year ending of each year, and for that purpose shall employ a competent and disinterested public auditor or accountant, who shall render a report in writing thereon, which report shall be submitted to the members at their annual meeting. In addition to a balance sheet and a statement of the total net income, such report shall show separately the net earnings or losses from ginning and wrapping cotton, from handling cottonseed, and from all other activities of the association by departments as classified by the board of directors, after all salaries, taxes, licenses, insurance and bond premiums, interest, depreciation, repairs necessary and incidental to restore the physical properties to reasonable operating condition, and all other expenses have been paid or provided for to the close of the fiscal year.

SEC. 2. *Allocation and distribution of net income.*—The total net income so determined shall be allocated and distributed in the following order and manner:

(a) An amount of the net income equal to not less than percent thereof shall be set aside for the purpose of establishing, building up, and maintaining a general reserve of not less than percent of the aggregate par value of outstanding stock.⁴⁹

(b) An amount not exceeding percent of the par value of preferred stock outstanding shall be set aside for payment of dividends on such stock.

(c) The amounts set aside for the general reserve and for payment of dividends on preferred stock shall be deducted pro rata from the income of each department of the association and the balance of the net income then shown for each department shall be allocated to the patrons of each of the departments on the basis of their patronage.

(d) From the net amount allocated to each nonmember patron, eligible for membership in the association and approved by the board of directors, there shall first be deducted the par value of one share of common stock, or the unpaid balance due thereon; and when any such patron has complied with all the conditions for membership, a certificate for common stock paid for in this manner shall be issued to him.

⁴⁹ Statutory requirements concerning reserves should be complied with.

(e) ⁴⁰ At least percent of the amount, as determined by the board of directors, then remaining to the credit of each patron shall be retained by the association for capital purposes and distributed to him in credits on preferred stock, and the association shall issue certificates for all such shares of preferred stock fully paid for in this manner.

(f) Any remaining balance of the patronage allocations of each patron may then be paid to him in cash.

SEC. 3. *Interest of patrons in general reserve.*—The books of the association shall be kept in such manner that the interest of each patron in the amount carried to the general reserve each year may be ascertained at any time. In the event of a net loss in the operation of the association for any one year, such loss shall be charged against these annual reserves in an equitable manner, as determined by the board of directors. Whenever the total amount of the general reserve exceeds percent of the aggregate par value of outstanding stock, the board of directors may apply such excess to paying off ratably by years the oldest unexhausted interests of the patrons therein.

SEC. 4. *Application of cash distributions to indebtedness.*—Any part or all of the cash dividends on capital stock, cash patronage distributions, and/or cash payments for retirement of stock payable to any stockholder or patron may be applied, at the discretion of the board of directors, to the payment of any indebtedness of such stockholder or patron to the association that may be due.

ARTICLE XI

ISSUANCE AND REDEMPTION OF PREFERRED STOCK

At the end of each fiscal year the board of directors shall issue to each patron preferred stock to evidence amounts paid in by such patrons on a per bale basis for capital purposes, as provided in section 2 of the ginning agreement, and on account of patronage dividends payable in the form of preferred stock, in accordance with section 2 of article X of these bylaws.

Whenever, in the opinion of the board of directors, the capital funds of the association are in excess of the amount deemed necessary for its sound financial operation, the board of directors shall call for redemption, and redeem or retire, in accordance with section 3 of article VII of the articles of incorporation, an amount of oldest outstanding preferred stock in the same order as originally issued, equal to the amount of such excess, provided that no stock shall be retired unless the stock outstanding thereafter shall at least equal 40 percent of the original cost of the fixed facilities and permanent additions thereto.

ARTICLE XII

DISTRIBUTION OF ASSETS ON LIQUIDATION

In the event of the dissolution or liquidation of the association, any assets remaining after the payment of all debts, insofar as they are sufficient for that purpose, shall be distributed in the following order and manner:

⁴⁰ If it is desired to retain a fixed amount per bale instead of a percentage of net income for capital purposes, the following should be substituted for subsection (e):

At least for each bale ginned for each patron shall be deducted from the amount then remaining to his credit and shall be retained by the association for capital purposes; but if such amount is insufficient to permit of such deductions all such amount shall be so retained and distributed to the respective patrons in credits on preferred stock, and the association shall issue certificates for all such shares of preferred stock fully paid for in this manner.

(1) All outstanding preferred stock and credits on preferred stock shall be retired in full.

(2) All outstanding common stock and credits on common stock shall be retired in full.

(3) Unexhausted interests of members and patrons in general reserves shall be retired ratably on an equitable basis, as determined by the board of directors.

(4) The remaining assets shall be distributed to the patrons of the association on as equitable a patronage basis as the board of directors finds practicable.

ARTICLE XIII

FISCAL YEAR

The fiscal year of the association shall begin on the first day of _____ and end on the last day of _____ of each year.

ARTICLE XIV

SEAL

The seal of the association shall contain these words and figures: "_____ Association, Incorporated 19____," in circular form, the impress of which is placed hereon.

ARTICLE XV

These bylaws may be altered or amended by a vote of the majority of the holders of fully paid-up common stock in good standing at any annual or special meeting of the stockholders at which a quorum is present, but notice of the proposed change shall be given in the notice of the meeting.

We, the undersigned, being all the incorporators and stockholders of the _____ Association, do hereby assent to the foregoing bylaws and adopt the same as the bylaws of said association.

In testimony whereof, we have set our hands this _____, 19____.

BYLAWS ⁵¹

of the

ARTICLE I

POWERS AND PURPOSES

The powers and purposes of this association are those set forth in the articles of incorporation. The articles of incorporation shall control in the event of any conflict between its provisions and any part of these bylaws.

⁵¹ Nonstock associations.

ARTICLE II

CAPITAL STRUCTURE

SECTION 1. *Membership fees.*—The fee for becoming a member of the association shall be \$.....

SEC. 2. *Revolving Fund Certificates.*¹¹—The association is authorized to issue and sell to members and others revolving fund certificates of a character hereafter described for the purpose of raising capital funds with which to carry on its business; and in order to further the cooperative character of the association, and to provide a means whereby its current and active members will finance the association, the association is authorized to issue revolving fund certificates evidencing deductions made for capital purposes pursuant to agreements with its members and/or patronage dividends which are in whole or in part so paid at the end of each fiscal year.

Funds evidenced by such certificates shall be used for creating a revolving fund for the purpose of building up such an amount of capital as may be deemed necessary by the board of directors from time to time, and for revolving such capital; and such funds, or funds derived from any other source, shall, when in the opinion of the board of directors of the association such funds are not necessary for the proper financing of the operations of the association, be devoted to the refunding of the oldest outstanding series of certificates. Such certificates may contain such other terms and conditions not inconsistent herewith as may be prescribed from time to time by the board of directors of the association.

Such certificates shall be issued in annual series, each certificate in each series upon its face being identified by the year in which it is issued, and each series shall be retired fully or on a pro rata basis only at the discretion of the board of directors in the order of issuance by years, as funds are available for that purpose. Such revolving fund certificates shall bear such rates of interest and only such rates of interest (in no event to exceed 6 percent per annum) as the board of directors in its sole discretion may from time to time prescribe, without any obligation on the part of the board of directors and the association to pay interest on such certificates. A record of all holders of revolving fund certificates shall be kept and maintained by the association and such certificates shall be transferable only on the books of the association, and no transfer of certificates shall be binding upon the association unless so transferred.

Notwithstanding any of the foregoing provisions, the board of directors shall have the power from time to time and at any time to pay off or retire or secure a release or satisfaction of any revolving fund certificate to compromise or settle a dispute between a holder thereof and the association.

All other debts of the association, both secured and unsecured, shall be entitled to priority over all outstanding revolving fund certificates. Upon the dissolution or winding up of the association in any manner, after the payment of all other debts, all outstanding revolving fund certificates shall be retired in full or on a pro rata basis without priority before any liquidation dividends are declared on membership certificates or on account of property interests or reserves.

ARTICLE III

MEMBERSHIP

SECTION 1. *Qualifications.*—Any person, firm, or corporation, including landlords who receive as rent a part of the crop raised on leased premises, engaged

¹¹ For suggested form, see p. 61.

in the production of agricultural products may, subject to the approval of the board of directors and upon payment of the membership fee of \$....., become a member of this association by entering into a ginning agreement with the association in the form prescribed by the board of directors.

SEC. 2. Suspension or Termination.—The voting rights of any member who ceases to be eligible for membership in the association or who violates any of the terms and conditions of the uniform ginning agreement, bylaws or rules and regulations of the association, or who fails to observe any obligation or duty of a member may be suspended by a majority vote of the board of directors; provided, however, that before the voting rights are suspended for any cause the board of directors shall hold a meeting for the purpose of hearing and receiving evidence of the charges preferred against him, and at such meeting he shall have a right to present witnesses and be heard in person or by counsel in answer thereto; and the person bringing the charges against him shall have the same opportunity. Notice of such meeting, containing a statement of the charges preferred against a member, shall be mailed to such member at least 10 days previous to the date of the meeting. A member whose voting rights have been suspended by the board of directors shall thereafter be deemed a member not in good standing and as such ineligible to serve the association as a director or officer thereof.

Upon resignation or termination of membership in the association in any manner, all of the rights and interests of such member in the association shall, by that act, be canceled and such member shall be entitled only to payment or credit for the face value of his membership certificate and the equitable appraised value of his property rights and interests in the association as conclusively determined by the board of directors.³³

ARTICLE IV

NONMEMBER-PATRONS

The association may transact business with nonmembers, provided the business transacted with such nonmembers is not greater in value than that transacted with its members.³⁴

ARTICLE V

MEETINGS

SECTION 1. Annual meeting.—The annual meeting of the members of this association shall be held in its office in the town of, at o'clock M., on the in of each year, if not a legal holiday, and if a legal holiday, on the

³³ If State statutes provide a time of payment for property interests of retiring member, these requirements should be added.

In order to avoid the embarrassment that might result from having to pay members the amount of their property interest in the association, consideration should be given in those States where the statutes so permit to the substitution of the following in lieu of this sentence:

In the event of termination of a membership, regardless of how terminated, the association shall not become or be liable for the payment of any amount whatsoever as the value of the membership and property rights and interests in the association of the member whose membership is terminated, and each member is received into membership upon the express agreement on the part of such member, and upon the condition, that the value of the property rights and interests of such member in the association is nothing, and that in the event of termination, whether by expulsion or otherwise, such member shall not be entitled to be paid anything as or for the value thereof. The resignation or termination of membership in the association of a member in any manner shall not impair the obligations or liabilities of the association or of such member under any contract which may be terminated only as provided therein, or the right of such member to receive payment for any revolving fund certificates which he may hold in the same order and manner as other members of the association.

³⁴ In some States, this provision must be omitted or modified to meet the requirements of the statute.

next business day following; provided that the board of directors may upon due notice change the place for holding any annual meeting to any place within the said town, and may change the date to any day within 15 days of the date specified, and the time of day to any other reasonable time.

Sec. 2. *Special meetings.*—Special meetings of the members of this association may be held at any time when called in manner as hereinafter provided. The board of directors shall designate the date, time, and place for holding all special meetings, but such place shall be in the town of Special meetings may be called at any time by the board of directors, and shall be called by said board upon receipt of a written request containing a statement of the specific business to be considered, signed by at least percent of the members, provided that in no case shall the required number of signatures to such request be less than; and upon receipt of such request the board of directors shall order a meeting held within 30 days from the date of such receipt. The purpose of every special meeting shall be stated in the notice thereof and no business shall be transacted thereat except such as is specified in the notice.

Sec. 3. *Notice of meetings.*—Written or printed notice of all meetings, stating the nature, time, place and purpose thereof, shall be mailed to each member at the address shown on the books of the association, or handed to such member at least days prior to the time for holding the meeting.

Sec. 4. *Voting rights and quorum.*—Only members in good standing shall have the right to vote at meetings of the members, and no member shall have more than one vote.^M percent of the members, present in person, shall constitute a quorum for the transaction of business at any meeting of this association and a vote of the majority of such members present at such meeting shall be sufficient to pass or reject any measure properly placed before the meeting, except for the transaction of business for which a different quorum and a different vote is specifically provided by statute or by these bylaws.

Sec. 5. *Voting by proxy.*^M—Voting by proxy is prohibited.

Sec. 6. *Order of business.*—The order of business at the annual meeting and at other meetings of the members, as far as practicable, shall be—

1. Calling meeting to order.
2. Proof of due notice of meeting.
3. Proof of quorum.
4. Reading and action on any unapproved minutes.
5. Reports of officers and committees.
6. Election of directors.
7. Unfinished business.
8. New business.
9. Adjournment.

ARTICLE VI

BOARD OF DIRECTORS

SECTION 1. *Number and qualifications.*—The business and affairs of this association shall be conducted and managed by a board of directors consisting of members, each of whom shall be a member in good standing of the association. No person engaged in business in competition with the association shall be eligible to serve as a director, and if a majority of the board of directors find at any time following a hearing that any director is so engaged or affiliated, he shall thereupon cease to be a director.

^M If permitted by law, the number of members necessary to constitute a quorum should be small in order that meetings may not fail for lack of a quorum.

^M The right of a member to vote by proxy is granted in some States.

SEC. 2. Election and term of office.—Directors shall be elected at each annual meeting of members for terms ending at the next annual meeting; and, unless they shall resign, die, become disqualified or be removed in the manner provided in section 6 hereof, they shall hold office until their successors have been elected and qualified.

SEC. 3. Meetings.—As soon as practicable and within 10 days following the annual meeting of the members each year, the board of directors elected thereat shall hold a regular meeting at such time and place in the town of _____, as may be designated by the president. Special meetings of the board may be held at any time when called in the manner hereinafter provided. Such special meetings shall be called upon order of the president, or upon written request of a majority of the directors. The president or directors in ordering the call shall designate the date, time, and place for holding the meeting, but such place shall be in the town of _____. Any business of the association may be transacted at any special meeting of the board whether or not such business is stated in the call.

SEC. 4. Notice of meetings.—Written notice of regular and special meetings, stating the time, place, and purpose thereof, shall be mailed or handed to each director at least _____ days prior to the time for holding the meeting; provided, however, that directors may waive, in writing, notice of any meeting.

SEC. 5. Vacancies.—Vacancies in the board of directors, other than by expiration of term, shall be filled by a majority vote of the remaining directors in office. Directors to fill such vacancies shall be elected for the unexpired term of those whom they succeed.

SEC. 6. Removal of directors.—Whenever the board of directors shall find following a hearing that any director of the association has ceased to be eligible for the office of director, as defined in section 1 of this article, his membership on the board of directors shall terminate. Any director of the association may be removed from office by a vote of a majority of the members in good standing, attending any special meeting called for that purpose, at which a majority of such members are present. Special meetings of the members for voting upon the removal of a director shall be called only when a member brings charges against such director by filing them, in writing, with the secretary of the association, together with a petition signed by _____ percent of the members, in good standing, requesting the removal of the directors in question. The director against whom such charges have been brought shall be informed in writing of the charges at least _____ days previous to the meeting and shall have an opportunity at the meeting to present witnesses and be heard in person or by counsel in answer thereto; and the person or persons bringing the charges against him shall have the same opportunity. Any vacancy created by such termination or removal from office shall be filled in the manner provided in section 5 hereof.

SEC. 7. Quorum.—A majority of the members of the board of directors shall constitute a quorum for the transaction of business at any meeting of the board; except for the transactions of business for which a different vote is specifically provided, by statute or by these bylaws, but no measure shall be effective unless approved by a majority of the entire membership of the board.⁴⁷

SEC. 8. Compensation, employment, and contracts.—The members of the board of directors shall receive no compensation for their services as members of the board, but may receive a reasonable per diem to cover necessary expenses while engaged in the business of the association. No member of the board of directors

⁴⁷ In some instances it may be deemed advisable to include a bylaw reading as follows: "*Referendum.*—Upon demand of one-third of the entire board of directors, any matter that has been approved or passed by the board must be referred for decision to a special meeting of the members, which shall be called for that purpose, or to the annual meeting if same is to be held within thirty (30) days from such demand. The decision on such matter at said meeting shall be binding upon the board of directors."

during his term of office, shall have any contract, arrangement, or agreement for profit with the association differing in terms or purpose from contracts, arrangements, and agreements accorded other members.

ARTICLE VII

DUTIES AND POWERS OF DIRECTORS

SECTION 1. *Management of business.*—The board of directors shall have general supervision and control of the business and affairs of the association and shall make all rules and regulations, not inconsistent with law or with these bylaws, for the management of the business and guidance of the officers, employees and agents of the association. They shall have installed an accounting system which shall be adequate to the requirements of the business, and it shall be their duty to require proper records to be kept of all business transactions.

SEC. 2. *Employees.*—The board of directors shall have the power to employ and dismiss, or to authorize the employment and dismissal of a manager and such other employees as may be deemed necessary and to fix their compensation, provided, however, that members of the board of directors and members of their immediate families and members of the immediate families of the officers and of the manager shall not be employed by the association for more than 30 days in any year, unless such employment is unanimously approved by the board of directors. The manager shall have charge of the business of the association under the direction of the board of directors. No director shall serve as manager unless unanimously approved by the board of directors.

SEC. 3. *Bonds and insurance.*—The board of directors shall require the manager and all other officers, agents, and employees that may have custody of any of its funds or negotiable instruments to give adequate bonds. Such bonds, unless cash security is given, shall be furnished by a responsible bonding company and approved by the board of directors, and the cost thereof shall be paid by the association. The board of directors shall provide adequate insurance covering loss of, or damage to the property of the association and property in its possession and custody for which it is liable, by fire, tornado, or windstorm, and in addition insurance covering liability for accidents to all employees and the public.

SEC. 4. *Ginning agreements.*—The board of directors shall prescribe and adopt the form of ginning agreement to be entered into by the association with its members for periods of not to exceed years, but may provide for the annual renewal thereof. The board of directors shall have the power to carry out such ginning agreements in every way advantageous to the association, representing the producers collectively. A separate service agreement may be adopted, in the discretion of the board of directors, for each activity in which the association may engage.

SEC. 5. *Depository.*—The board of directors shall have the power to select one or more banks to act as depositories of the funds of the association and to determine the manner of receiving, depositing, and disbursing the funds of the association and the form of checks and the persons or person by whom same shall be signed, with the power to change such banks and the person or persons signing such checks and the form thereof at will.

SEC. 6. *Borrowing money.*—The officers of the association who are authorized to do so by the board of directors of the association may borrow money for and on behalf of the association for any association purpose on open account or otherwise, with or without security, in such amounts and upon such terms and conditions as may from time to time appear advisable, subject to any legal requirements applicable thereto.²²

²² In some States there are statutory restrictions which must be met on the mortgaging of property.

SEC. 7. *Investments.*—The board of directors shall have the right and power to invest any funds of the association not needed in the operation of the business, including reserve funds, in bonds or in such other property as it may deem advisable.

SEC. 8. *General powers of board of directors.*—The board of directors of the association shall have the power and authority consistent with law, the articles of incorporation, and these bylaws to provide for the carrying out of the contracts and agreements of the association and to authorize officers thereof to enter into contracts and agreements on behalf of the association and to authorize any and all acts that are deemed conducive to furthering the purposes for which the association is formed, except that the board of directors shall not have authority to sell and convey the real property, machinery, or equipment of the association without being authorized by a meeting of the members in good standing of the association, unless such conveyance is for the purpose of securing indebtedness or the sale is of machinery, or equipment not used in the operation of the business, or unless the sale is made for replacement purposes.⁵⁵

ARTICLE VIII

OFFICERS

SECTION 1. *Officers and qualifications.*—The officers of the association shall be a president and a vice president, each of whom shall be a member of the board of directors; a secretary-treasurer, or a secretary and a treasurer, who may or may not be directors or members of the association; and such other officers as the board of directors deems necessary.⁵⁶ No compensation shall be paid to any officer but he may receive a reasonable per diem to cover only necessary expenses while engaged in the business of the association.

SEC. 2. *Election and term of office.*—All officers shall be elected by the board of directors for terms not extending beyond the first regular meeting of the board of directors following the next annual meeting of the stockholders and, unless sooner removed by death, resignation, or for cause, they shall hold office until their successors have been elected and qualified.

SEC. 3. *Removal of officers.*—Any officer of the association required to be a member thereof, whose right to vote as a member of the association has been suspended or who has ceased to be qualified to act as a director of the association, shall thereupon cease to be an officer. The board of directors may remove any officer by a majority vote at any meeting of the board; and the members may remove any officer in the same manner as directors may be removed, as provided in section 6 of article VI hereof.

ARTICLE IX

DUTIES OF OFFICERS

SECTION 1. *Duties of president.*—The president shall preside over all meetings of the members and the board of directors; call special meetings of the board of directors; perform all acts and duties usually performed by an executive and presiding officer; serve as an ex-officio member of all committees of the association; sign all membership and other certificates, and such other documents and papers as he may be authorized to sign by the board of directors; provided, the board of directors may authorize any person to sign any or all checks, contracts, and other

⁵⁵ See footnote 58.

⁵⁶ See statutory provisions on election and qualifications of officers.

instruments in writing on behalf of the association. The president shall perform such other duties as may be prescribed by the board of directors.

SEC. 2. Duties of vice president.—In the absence or disability of the president, the vice president shall perform the duties of the president, provided, however, that in case of death, resignation, disqualification or disability of the president, the board of directors may declare the office vacant and elect his successor.

SEC. 3. Duties of secretary-treasurer.—The secretary-treasurer shall keep a complete record of all meetings of the members and of the board of directors. He shall have general charge and supervision of the books and records of the association, and shall perform such duties with respect to the finances of the association as may be prescribed by the board of directors. He shall sign all membership and other certificates and such other papers pertaining to the association as he may be authorized or directed to do by the board of directors. He shall serve all notices required by law and these bylaws and shall make a full report of all matters and business pertaining to his office to the members at the annual meeting. He shall provide for the keeping of detailed and proper membership and patron records. He shall keep the corporate seal and affix said seal to all papers requiring a seal. He shall make all reports required by law, and shall perform such other duties as may be required of him by the association or the board of directors. Upon the election of his successor, the secretary-treasurer shall turn over to him all books and other property belonging to the association that he may have in his possession. If the offices of secretary and treasurer are held by different persons, the board of directors shall prescribe the duties and responsibilities of each.

SEC. 4. Duties of other officers.—Any other officers elected to offices created by the board of directors shall perform such duties with respect to such offices as may be prescribed by the board of directors.

ARTICLE X

DETERMINATION AND DISTRIBUTION OF INCOME

SECTION 1. Audits.—The board of directors shall have a complete audit made of the books and accounts of the association for the fiscal year ending of each year, and for that purpose shall employ a competent and disinterested public auditor or accountant, who shall render a report in writing thereon, which report shall be submitted to the members at their annual meeting. In addition to a balance sheet and a statement of the total net income, such report shall show separately the net earnings or the losses from ginning and wrapping cotton, from handling cottonseed, and from all other activities of the association by departments as classified by the board of directors, after all salaries, taxes, licenses, insurance and bond premiums, interest, depreciation, repairs necessary and incidental to restore the physical properties to reasonable operating condition, and all other expenses have been paid or provided for to the close of the fiscal year.

Sec. 2. Allocation and distribution of net income.—The total net income so determined shall be allocated and distributed in the following order and manner:

(a) An amount of the net income equal to not less than percent thereof shall be set aside for the purpose of establishing, building up, and maintaining a general reserve of not less than percent of the face value of all outstanding membership and revolving fund certificates.⁶¹

(b) An amount sufficient to pay interest charges, if any, on revolving fund certificates at the rate prescribed by the board of directors shall be set aside.

(c) The amounts set aside for the general reserve and for payment of interest on revolving fund certificates shall be deducted pro rata from the income of each department of the association and the balance of the net income then shown for

⁶¹ Statutory requirements concerning reserves should be complied with.

each department shall be allocated to the patrons of each of the departments on the basis of their patronage.

(d) From the net amount allocated to each nonmember patron, eligible for membership in the association and approved by the board of directors, there shall first be deducted a membership fee of \$....., or the unpaid balance due thereon; and when any such patron has complied with all the conditions for membership, a membership certificate paid for in this manner shall be issued to him.

(e) ²² At least percent of the amount, as determined by the board of directors, then remaining to the credit of each patron shall be retained by the association for capital purposes and distributed to him in the form of revolving fund certificates.

(f) Any remaining balance of the patronage allocations of each patron may then be paid to him in cash.

SEC. 3. *Interest of patrons in general reserve.*—The books of the association shall be kept in such manner that the interest of each patron in the amount carried to the general reserve each year may be ascertained at any time. In the event of a net loss in the operation of the association for any 1 year, such loss shall be charged against these annual reserves, in an equitable manner as determined by the board of directors. Whenever the total amount of the general reserve exceeds percent of the face value of all outstanding membership and revolving fund certificates, the board of directors may apply such excess to paying off ratably by years the oldest unexhausted interests of the patrons therein.

SEC. 4. *Application of cash distributions to indebtedness.*—Any part or all of the interest on revolving fund certificates, cash patronage distributions, and/or cash payments for retirement of membership or property rights and interests of any member or patron may be applied, at the discretion of the board of directors, to the payment of any indebtedness of such member or patron to the association that may be due.

ARTICLE XI

ISSUANCE AND REDEMPTION OF REVOLVING FUND CERTIFICATES

At the end of each fiscal year the board of directors shall issue to each patron revolving fund certificates to evidence the amounts paid in by such patrons, on a per bale basis, for capital purposes, as provided in section 2 of the ginning agreement, and on account of any patronage dividends payable in the form of revolving fund certificates in accordance with section 2 of article X of these bylaws.

Whenever, in the opinion of the board of directors, the capital funds of the association are in excess of that amount necessary for its sound financial operation, the board of directors shall call for redemption, and redeem or retire, an amount of oldest outstanding revolving fund certificates in the same order as originally issued, equal to the amount of such excess, provided that no revolving fund certificates shall be retired unless the amount of revolving fund certificates outstanding thereafter shall at least equal 40 percent of the original cost of the fixed facilities and permanent additions thereto.

²² If it is desired to retain a fixed amount per bale instead of a percentage of net income for capital purposes, the following should be substituted for subsection (e):

At least \$..... for each bale ginned for each patron shall be deducted from the amount then remaining to his credit and shall be retained by the association for capital purposes, but if such amount is insufficient to permit of such deductions all such amount shall be so retained, and distributed to the respective patrons in the form of revolving fund certificates.

ARTICLE XII

DISTRIBUTION OF ASSETS ON LIQUIDATION

In the event of the dissolution or liquidation of the association, any assets remaining after the payment of all debts, insofar as they are sufficient for that purpose, shall be distributed in the following order and manner:

- (1) All outstanding revolving fund certificates shall be retired in full.
- (2) All outstanding membership certificates shall be retired in full.
- (3) Unexhausted interests of members and patrons in general reserves shall be retired ratably on an equitable basis, as determined by the board of directors.
- (4) The remaining assets shall be distributed to the patrons of the association on as equitable a patronage basis as the board of directors finds practicable.

ARTICLE XIII

FISCAL YEAR

The fiscal year of the association shall begin on the 1st day of
 and end on the last day of of each year.

ARTICLE XIV

SEAL

The seal of the association shall contain these words and figures: ".....
 Association, Incorporated 19..," in circular
 form, the impress of which is placed hereon.

ARTICLE XV

These bylaws may be altered or amended by a vote of the majority of the members in good standing at any annual or special meeting of the members at which a quorum is present, but notice of the proposed change shall be given in the notice of the meeting.

We, the undersigned, being all the incorporators and members of the
 Association, do hereby assent to the foregoing bylaws and adopt the same as the bylaws of said association.

In testimony whereof, we have set our hands this
 day of, 19.....

.....

COMMON STOCK CERTIFICATE

Incorporated in _____
 No. _____ One share

 (Name of association)

 (Address)

Authorized capital, \$ _____

Common stock, _____ shares Preferred stock, _____ shares
 Par value, \$ _____ per share Par value, \$ _____ per share

This certifies that _____ is the owner of one share
 of common stock, of a par value of _____ Dollars (\$ _____)
 of _____

transferable on the books of the association on the surrender of this certificate,
 properly endorsed, by the holder thereof, or by attorney properly authorized,
 which stock is subject to the following conditions:

(Here insert sections 2 and 4 of article VII of the articles of incorporation)

This certificate of common stock is subject to preference given to preferred
 stock in the articles of incorporation of the association, and the holder hereof
 accepts the same subject to such preference, and is also subject to all the other
 terms and conditions of the articles of incorporation and the bylaws now in effect
 or hereafter adopted.

In witness whereof the said association has caused this certificate to be signed
 by its duly authorized officers and its corporate seal to be hereunto affixed.

This _____ day of _____, 19____

President.

Attest:

Secretary.

TRANSFER OF COMMON STOCK

(To be printed on back of stock certificates)

For value received, and with consent of the board of directors, the undersigned
 hereby sells, assigns, and transfers unto _____
 _____ shares of common stock represented by the within certificate, and
 does hereby irrevocably constitute and appoint _____
 to transfer the said stock on the books of the within-named corporation with
 full power of substitution in the premises, this _____
 day of _____, 19____

In the presence of:

NOTE.—The signature of this assignment must correspond with the name as written upon the face of the
 certificate in every particular without alteration or enlargement or any change whatever.

FARM CREDIT ADMINISTRATION

PREFERRED STOCK CERTIFICATE

Incorporated in
 No. shares

.....
 (Name of association)

.....
 (Address)

Authorized capital, \$

Common stock, ... shares Preferred stock, ... shares
 Par value, \$ per share Par value, \$ per share

This certifies that is the owner
 of shares of preferred stock, each of a par value of
 Dollars (\$), in the

.....
 (Name of association)

.....
 (Town)

....., transferable on the books of the association
 (State)

on the surrender of this certificate, properly endorsed, by the holder thereof, or
 by attorney properly authorized, which stock is subject to the following condi-
 tions:

(Here insert sections 3 and 4 of article VII of the articles of incorporation)

In witness whereof the said association has caused this certificate to be signed
 by its duly authorized officers and its corporate seal to be hereunto affixed.

This day of, 19.....

.....
 President.

Attest:

.....
 Secretary.

TRANSFER OF PREFERRED STOCK

(To be printed on back of stock certificates)

For value received the undersigned this day
 of, 19....., hereby sells, assigns, and trans-
 fers unto shares of preferred
 stock represented by the within certificate, and does hereby irrevocably consti-
 tute and appoint to transfer the said stock
 on the books of the within-named corporation with full power of substitution in
 the premises.

In the presence of:

NOTICE.—The signature to this assignment must correspond with the name as written upon the face of
 the certificate in every particular without alteration or enlargement, or any change whatever.

MEMBERSHIP CERTIFICATE

This is to certify that is a member of the Association, and as such is entitled to the rights and privileges of membership and is likewise bound by and subject to the obligations and conditions pertaining thereto, all as set forth in the articles of incorporation, bylaws and ginning agreement, now or hereafter in effect. Said member has paid a membership fee of \$.....

This certificate and the membership and rights represented hereby are non-assignable and nontransferable.

In witness whereof, the Association has caused this certificate to be signed by its duly authorized officers and its corporate seal to be hereto affixed this day of, 19.....

[SEAL]

By
President.

Attest:

By
Secretary.

REVOLVING FUND CERTIFICATE

(Series 19.....)

No. Amount, \$ Date

This certifies that of
(Name) (Address)
..... is entitled to receive the amount of dollars from the
..... on account of capital furnished, or
(Name of association)

patronage dividends or deductions for revolving fund purposes pursuant to its bylaws or ginning agreement, subject to the following conditions:

1. This and other revolving fund certificates of the same series are retireable in the sole discretion of the board of directors, either fully or on a pro rata basis, but certificates issued in prior years shall be entitled to priority in retirement, except in liquidation.

2. The amount stated in this certificate shall bear only such rate of interest, if any, as the board of directors may fix from time to time, in no event to exceed 6 percent per annum.

3. This certificate is transferable only on the books of the association; and may be retired or transferred only upon delivery thereof to the association, properly indorsed.

4. This and other revolving fund certificates shall be junior and subordinate to all other debts of the association, both secured and unsecured. Upon the winding up or liquidation of the association in any manner, after full payment to all of its other creditors, all revolving-fund certificates shall then be retired in full or on a pro-rata basis, without priority.

In witness whereof the has caused
(Name of association)
this certificate to be signed by its duly authorized officers and to be sealed with its seal, this day of, 19.....

WAIVER OF NOTICE OF FIRST MEETING OF MEMBERS

We, the undersigned, being all of the incorporators of the

(Name of

....., of
 association) (Town) (State)

constituting all of the present members of such association, hereby waive notice of a meeting of the members and consent to the holding of a meeting of such members at o'clock M. on the day of 19....., at

(Place of meeting)

in for the
 (Town) (State)

purpose of adopting bylaws for the government of the association and transacting any other business that may properly come before the meeting.

Witness our signatures this day of

....., 19

.....

WAIVER OF NOTICE OF FIRST MEETING OF DIRECTORS

We, the undersigned, being all of the directors of

(Name of association)

.....
 (Town) (State)

hereby waive notice of a meeting of the directors and consent to the holding of a meeting of such directors at o'clock M. on

(Day)

..... the day of

....., 19....., at

(Place of meeting)

(Town)

..... for the purpose of elect-

(State)

ing officers of the association to serve during the ensuing year, adopting the form of ginning agreement, and transacting any other business that may properly come before said meeting.

Witness our signatures this day of

....., 19

.....

MINUTES OF FIRST MEETING OF MEMBERS

The first meeting of the members, consisting of the incorporators of _____
 _____ (Name of
 _____ was held at _____ o'clock _____ M. on

 _____ association)
 the _____ day of _____,
 19 _____, at _____, in _____,
 _____ (Place of meeting) (Town)

_____ (State) The chair called for proof of notice of the
 meeting, whereupon _____ presented a waiver of
 notice and consent to hold the meeting signed by all of the members of the asso-
 ciation, which waiver and consent was in the following form:

(Copy waiver of notice and consent to meeting)

The chair ruled that the meeting was properly called and it was ascertained that
 _____ members of the association constituting a quorum, were present.
 The chair reported that the articles of incorporation of the association were filed
 on the _____ day of _____,
 19 _____, at _____ o'clock in the _____ noon, in the office of the Secre-
 tary of State of the State of _____, and presented a
 copy of said articles of incorporation, which was read, and on motion duly made,
 seconded and carried, was directed to be entered in full in the minute book. A
 draft of proposed bylaws for the government of the association was presented by
 _____ and was read to the meeting and discussed
 section by section and as a whole, and was unanimously adopted. Each member
 affixed his signature to the bylaws and the secretary was instructed to spread the
 bylaws on the minutes of this meeting.

(Here insert record of any other business that may have been transacted)

There being no further business to come before the meeting, on motion duly
 made, seconded and unanimously adopted, the meeting was adjourned.

Temporary chairman.

Temporary secretary.

MINUTES OF FIRST MEETING OF BOARD OF DIRECTORS

The first meeting of the board of directors of the _____
 _____ (Name of association)

_____, _____ (Town) _____, _____ (State)

was held at _____ o'clock _____ M. on _____
 _____ (Day)

_____, 19____, at _____, in _____
 _____ (Place of meeting)

_____, _____ (Town) _____, _____ (State)
 Upon convening, _____ was elected temporary chairman and _____ temporary secretary of the meeting, and each assumed his office.

The chair called for proof of notice of the meeting, whereupon _____ presented a waiver of notice and consent to holding the meeting, signed by all of the directors of the association, which waiver and consent was as follows:

(Copy waiver of notice, and consent to holding meeting)

Upon roll call of the directors of the association, the following answered present:

(Record the names of all directors present)

The chair ruled that proper and legal notice of the meeting had been given and that a quorum was present, and announced that the meeting was open for transacting business.

The chair stated that the meeting was called for the purpose of electing officers of the association for the ensuing year and transacting any other business that might properly come before the meeting.

Upon motion duly made and seconded, the following officers were unanimously elected to serve at the discretion of the board until the time of the first regular meeting of the board to be held as soon as practicable following the first annual meeting of the members:

(Record the names of the officers elected and the title of office)

Following the election of the officers, the president took the chair, and the secretary-treasurer assumed the duties of secretary of the meeting.

Upon motion duly made and seconded, the following resolution was adopted:

Resolved,^a that the president and secretary be and they are hereby authorized to have prepared and to issue certificates of stock in form as submitted to this meeting, and each in form as follows:

(Here insert proper form of certificate of common stock and form of certificate of preferred stock)

Upon motion duly made and seconded, the following resolution was adopted:

Resolved, that the president and secretary be and they are hereby authorized

^a If the association is formed without stock, the resolution should be changed to authorize the issuance of certificates of membership.

to have printed a sufficient number of copies of the articles of incorporation and bylaws, so that a copy thereof may be delivered to each member, and each person who may later become a member of the association.

Upon motion duly made and seconded, the following resolution was adopted:

Resolved, that the ginning agreement, in form as submitted to this meeting, a copy of which appears hereafter, is hereby adopted:

(Here insert form of ginning agreement)

Upon motion duly made and seconded, the following resolution was adopted:

Resolved, that all subscriptions for stock ⁴⁴ in the association appearing on the list submitted by the secretary, be accepted, and that the president and secretary be and they hereby are directed to enter into ginning agreements with all subscribers for common stock, and to carry out the terms and conditions thereof, and to solicit additional subscriptions for stock, and signatures to the ginning agreement, for submission to the board of directors for approval.

Upon motion duly made and seconded, the following resolution was adopted:

Resolved, that the ----- Bank be selected as a depository for the funds of the association.

Upon motion duly made and seconded, the following resolution was adopted:

Resolved, that all checks drawn upon the ----- Bank, for withdrawal of funds of the association on deposit therewith, be signed by the secretary-treasurer and countersigned by either the president or the vice president.

Upon motion duly made and seconded, the following resolution was adopted:

Resolved, that the secretary-treasurer is hereby authorized to receive all funds paid the association, endorse all checks, drafts, and other like instruments, and deposit the same to the account of the association in ----- Bank.

Upon motion duly made and seconded, the following resolution was adopted:

Resolved, that the president and secretary be and they hereby are authorized and directed to obtain fidelity bond coverage in the amounts stated herein on the following officers, agents, and employees as required by the bylaws; and that such bonds be submitted to the board of directors for approval at its next meeting.

Name----- Office----- Amount of bond-----

(Similar resolutions may be adopted, providing for the insurance of the property of the association, upon its acquisition, and for adequate insurance covering other liabilities, and authorizing the employment of a manager and other employees)

There being no further business to come before the meeting, on motion duly made, seconded, and unanimously adopted, the meeting adjourned.

-----,
President.

Secretary.

⁴⁴ If the association is organized without capital stock, revise accordingly.

APPENDIX B

IN ORDER for a cooperative association of producers to be exempt from the payment of Federal income taxes, it must meet and be operated in a manner consistent with the terms and conditions of paragraph 12 of section 103 of the Federal Revenue Act of 1938, which reads as follows:

(12) Farmers', fruit growers', or like associations organized and operated on a cooperative basis (a) for the purpose of marketing the products of members or other producers, and turning back to them the proceeds of the sales, less the necessary marketing expenses, on the basis of either the quantity or the value of the products furnished by them, or (b) for the purpose of purchasing supplies and equipment for the use of members or other persons, and turning over such supplies and equipment to them at actual cost, plus necessary expenses. Exemption shall not be denied any such association because it has capital stock, if the dividend rate of such stock is fixed at not to exceed the legal rate of interest in the State of incorporation or 8 per centum per annum, whichever is greater, on the value of the consideration for which the stock was issued, and if substantially all such stock (other than nonvoting preferred stock, the owners of which are not entitled or permitted to participate, directly or indirectly, in the profits of the association, upon dissolution or otherwise, beyond the fixed dividends) is owned by producers who market their products or purchase their supplies and equipment through the association; nor shall exemption be denied any such association because there is accumulated and maintained by it a reserve required by State law or a reasonable reserve for any necessary purpose. Such an association may market the products of nonmembers in an amount the value of which does not exceed the value of the products marketed for members, and may purchase supplies and equipment for nonmembers in an amount the value of which does not exceed the value of the supplies and equipment purchased for members, provided the value of the purchases made for persons who are neither members nor producers does not exceed 15 per centum of the value of all its purchases. Business done for the United States or any of its agencies shall be disregarded in determining the right to exemption under this paragraph (52 Stat. 480, title 26 U. S. C. sec. 103, par. 12).

In order for a cooperative association of producers to be eligible to borrow from a bank for cooperatives, it must meet and be operated in a manner consistent with the terms and conditions of section 15 of the Agricultural Marketing Act, as amended, which reads as follows:

* * * As used in this act the term "Cooperative Association" means any association in which farmers act together in processing, preparing for market, handling, and/or marketing the farm products of persons so engaged, and also means any association in which farmers act together in purchasing, testing, grading, processing, distributing, and/or furnishing farm supplies and/or farm business services: *Provided, however,* That such associations are operated for the mutual benefit of the members thereof as such producers or purchasers and conform to one or both of the following requirements:

First. That no member of the association is allowed more than one vote because of the amount of stock or membership capital he may own therein; and

Second. That the association does not pay dividends on stock or membership capital in excess of 8 per centum per annum. And in any case the following:

Third. That the association shall not deal in farm products, farm supplies, and farm business services with or for nonmembers in an amount greater in value than the total amount of such business transacted by it with or for members. * * * (49 Stat. 317, title 12 U. S. C. sec. 1141j).

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