

propriation upon certification of the state board of education to be transferred to and become available in the amount designated to such schools as the state board of education may specify.

SECTION 4. This act shall take effect upon July 1, 1921.

Approved July 5, 1921.

No. 69, A.]

[Published July 11, 1921.

CHAPTER 489.

AN ACT to create section 1797—69 of the statutes, relating to public automobile service.

The people of the State of Wisconsin, represented in Senate and Assembly, do enact as follows:

SECTION 1. There is hereby created a new section of the statutes to be numbered and to read: Section 1797—69. The power of any city of the second class which, prior to January 1, 1921, shall have established and operated public automobile service from the terminals of a street railway system operated in the city to a suburb which is not connected by street railway service with such system, after the railroad commission shall have decided against the necessity for an extension of the street railway system into the said suburb, to so establish, operate and maintain such service is hereby confirmed, and such service may be continued, subject to the provisions of section 1797—62 of the statutes.

SECTION 2. This act shall take effect upon passage and publication.

Approved July 5, 1921.

No. 527, A.]

[Published July 11, 1921.

CHAPTER 490.

AN ACT to amend sections 1786e—1, to 1786e—17, inclusive, of the statutes, relating to co-operative associations, and providing penalties.

The people of the State of Wisconsin, represented in Senate and Assembly, do enact as follows:

SECTION 1. Sections 1786e—1 to 1786e—17, inclusive, of the statutes, are hereby amended as follows: *Section 1786e—1. The following terms, wherever used in sections 1786e—1 to 1786e—17, inclusive, shall mean as follows:*

"Member" shall mean one who owns stock in a corporation or association organized with capital stock and one who holds a certificate of membership in a corporation or association organized without capital stock.

"Co-operative basis," as applied to corporations or associations, shall mean that the following principles are adopted and used by such corporation or association:

(a) Each member has one vote and only one vote.

(b) Proxy voting is prohibited, except that territorial delegate voting, as provided in section 1786e—8a, may be allowed.

(c) The rate of dividends upon stock, if any, is limited to eight per cent.

(d) The proceeds from the business of such corporation or association, after payment of all necessary expenses, are distributed to the patrons in proportion to the volume of business transacted by said patrons with the corporation or association; provided, that deductions may be made, not inconsistent with the provisions of this section, as required or authorized by the law of this state or, in the case of a foreign corporation, by the law of the state of such corporation's creation.

Section 1786e— * * * 2. 1. Any number of adult persons, not less than five, who are residents of this state, may * * * organize as a co-operative association, * * * for the purpose of conducting any agricultural, dairy, mercantile, mining, manufacturing or mechanical business on the co-operative plan, * * * or of acting as a selling * * * or buying agent for its members or patrons. * * *

* * * 2. * * * Said persons shall sign and acknowledge written articles which shall contain the name of said association and the names and residences of the persons forming the same. Such articles shall also contain a statement of the purposes of the association and shall designate the city, town or village where its principal * * * office shall be located. * * * The principal office shall be in this state and at least one officer of the association shall reside in this state. "Principal office" shall mean the office where the association's general and principal books of account, including its stock books, are kept.

3. The articles, if the association is organized with capital stock, shall state the amount of such stock, the number of shares and the par value of each share. The issuance of stock, without expressed par value, shall not be allowed. The association,

if it issues preferred stock, may provide, by contract with its members or patrons, for retaining, out of any money due from the association to said members or patrons, an amount sufficient to pay the dividends on such preferred stock and to accomplish the retirement thereof.

4. The articles, if the association is organized without capital stock, shall state whether the property rights of members shall be equal or unequal and, if unequal, the rule by which the property rights of the respective members shall be determined. The association may admit new members who shall be entitled to share in the property of the association upon the same basis as the old members. This provision, relating to property rights, shall not be amended or repealed by the association, except by the vote of at least three-fourths of the members.

Section 1786e—3. The original articles of incorporation of * * * associations organized under sections 1786e—1 to 1786e—17, inclusive, or a true copy thereof, verified as such by the affidavits of two of the signers thereof, shall be filed with the secretary of state. A like verified copy of such articles and certificates of the secretary of state, showing the date when such articles were filed with and accepted by the secretary of state, within thirty days of such filing and acceptance, shall be * * * recorded * * * with the register of deeds of the county in which the principal * * * office of the * * * association is to be located, and no * * * association shall, until such articles be left for record, have legal existence. The register of deeds shall forthwith transmit to the secretary of state a certificate stating the time when such copy was recorded. Upon receipt of such certificate the secretary of state shall issue a certificate of incorporation.

Section 1786e—4. For filing the articles of incorporation of * * * associations organized under sections 1786e—1 to 1786e—17, inclusive, there shall be paid the secretary of state ten dollars, and for * * * filing * * * an amendment to such articles, five dollars; provided, that when the capital stock of such corporation shall be less than five hundred dollars such fee for filing either the articles of incorporation or amendments thereto shall be one dollar. *An association shall pay a further filing fee of one dollar for each one thousand dollars of its authorized capital stock in excess of twenty-five thousand dollars. An association organized without capital stock shall pay a*

*fee of five dollars for filing articles of incorporation and one dollar for filing an amendment. * * **

Section 1786e—5. Every such association shall be managed by a board of not less than five directors. The directors shall be elected by * * * the * * * *members* of the association at such time and for such term of office as the by-laws may prescribe, and shall hold office for *the* time for which elected and until their successors are elected and shall enter upon the discharge of their duties; but a majority of the * * * *members* shall have the power at any regular or special * * * meeting, legally called, to remove any director or officer for cause, and fill the vacancy, and thereupon the director or officer so removed, shall cease to be a director or officer of said association. The officers of every such association shall be a president, one or more vice-presidents, a secretary and a treasurer, who shall be elected annually by the directors, and each of said officers must be a director of the association. The office of secretary and treasurer may be combined, and when so combined the person filling the office shall be secretary-treasurer.

Section 1786e—5a. The president of any association may call special meetings of the association upon giving ten days' notice to the members and specifying the purpose of the meeting; provided, however, that upon written demand signed by at least twenty per cent of the members the president shall call a special meeting for the purpose to which the demand relates in the manner herein described.

Section 1786e—6. 1. The association may amend its articles of incorporation by a majority vote, *except as stipulated in section 1786e—2*, of its * * * *members* at any regular * * * or * * * special * * * meeting, *legally called*. * * * Said power to amend shall include the power to increase or diminish the amount of capital stock and the number of shares; * * * *provided, that* the amount of the capital stock shall not be diminished below the amount of paid-up capital at *the time that the* amendment is adopted. Within thirty days after the adoption of an amendment to its articles of incorporation, an association shall cause a copy of such amendment adopted to be * * * *filed* in the office of the secretary of state and * * * *recorded* with the register of deeds of the county where the principal * * * *office* is located. No change of * * * *the principal office* of any such * * * *association* * * * *from one*

county to another county shall be valid until the articles and all amendments shall have been recorded in the office of the register of deeds of the county to which said * * * association's office is changed.

2. Any association organized under sections 1786e—1 to 1786e—17, inclusive, may dissolve in the same manner as is provided in the general corporation law, except that the vote necessary for dissolution shall be at least two-thirds of the members in all cases.

Section 1786e—7. 1. An association created under sections 1786e—1 to 1786e—17, inclusive, shall have power to conduct any agricultural, dairy, mercantile, mining, manufacturing or mechanical business, on the co-operative plan, and to act as a selling or buying agent for its members or patrons. * * *

2. Contracts between any association organized under sections 1786e—1 to 1786e—17, inclusive, and its members, whereby such members agree to sell all or a specified part of their products to or through, or to buy all or a specified part of goods from or through the association or any facilities created by the association, shall, if otherwise lawful, be valid; provided that the term of such contracts does not exceed five years; provided, however, that this requirement shall not prevent such contracts from being made, self-renewing for periods not exceeding five years each. A provision in any such contract determining a specific sum to be paid by the member as liquidated damages for breach of said contract shall be valid; provided, that the amount of said liquidated damages does not exceed one-fifth of the value of the products which are the subject of the breach. The association, in the event of a breach or threatened breach of any such contract by a member, shall be entitled to an injunction to prevent the breach or further breach thereof and to a decree for specific performance; provided, that the parties indicate in the contract their understanding that it is a contract for the purchase and sale of personal property under special circumstances and that the association can not go upon the open market and buy products to replace those which the member may fail to deliver or to sell the products which the member may fail to accept.

3. Any association organized under sections 1786e—1 to 1786e—17, inclusive, may provide that its common stock shall be sold only to persons designated or described in the by-laws and that

the stockholder shall lose the power to vote if he ceases to belong to the class of persons designated or described in said by-laws. Any association organized under sections 1786e—1 to 1786e—17, inclusive, may limit the number of shares which any person may hold and may reserve to the board of directors of the association the prior option to buy for the association the stock of any stockholder which is offered by such stockholder for sale and may reserve to said board of directors the right to recall the stock of any stockholder, subject to the limitation that not more than ten per cent of the common stock may be recalled during the period intervening between any two regular stockholders' meetings and subject to the further limitation that such association, upon exercising said option to buy or right to recall, shall pay for the stock at its book value or at its par value where the book value is less than the par value; provided, that no restriction upon the ownership or transfer of stock authorized by this section shall be valid unless a provision setting out such restriction is contained in the articles of incorporation of the association and printed upon the stock subscription paper, if any, and upon the stock certificate.

Section 1786e—8. No * * * member in any association organized without capital stock and no holder of stock, whether common or preferred, shall be entitled to more than one vote, but every member in an association organized without capital stock and every holder of common stock shall be entitled to one vote in any association organized under sections 1786e—1 to 1786e—17, inclusive.

Section 1786e—8a *Voting by proxy shall not be allowed in any association organized under sections 1786e—1 to 1786e—17, inclusive; but the by-laws of any such association may provide for representation of members by delegates apportioned territorially, and every such delegate shall cast one vote for each member represented by him; provided, that no delegate shall represent more than ten per cent of the members of the association.*

Section 1786e—9. At any regular * * * or * * * special meeting, *legally called, * * * an association organized under sections 1786e—1 to 1786e—17, inclusive, may, by a majority vote of * * * its members * * * invest * * * not to exceed twenty-five per cent of its * * * paid-up common stock and reserve fund in the capital stock of any corporation or other co-operative association; and any association organized under sections 1786e—1 to 1786e—17, inclusive,*

which is a member of, and is selling its products to or through or buying products from or through another association organized under sections 1786e—1 to 1786e—17, inclusive, may hold stock in such latter association to any amount which is necessary in order that continuous capital may be raised for such latter association from its member associations, based in amount upon the volume of business transacted by such member associations with said association.

Section 1786e—10. Whenever an association * * * organized under sections 1786e—1 to 1786e—17, inclusive, shall purchase the business of another corporation, association, partnership or person * * * it may pay for the same in whole or in part by issuing to the selling corporation, association, partnership or person shares of its capital stock to an amount, which at par value would equal the fair market value of the business so purchased, and in such case the transfer to the association of such business at such valuation shall be equivalent to payment in cash for the shares of stock so issued. *In any such transaction, the directors of the purchasing association are authorized to hold the shares in trust for the vendor and to dispose of the same to such persons and within such time as may be mutually satisfactory to the parties in interest, and to pay the proceeds thereof as currently received to the vendor.*

Section 1786e—11. * * * Certificates of stock shall not be issued to any subscriber until fully paid, but the by-laws of the association may allow subscribers to vote as stockholders; provided, *that part of the stock subscribed for has been paid * * * for and the remainder covered by a promissory note or other evidence of indebtedness. In an association organized without capital stock, no certificate of membership shall be issued to any person until such person has paid in full the membership fee; but the by-laws may permit any person to vote as a member, provided, that part of the membership fee of such person has been paid for and the remainder covered by a promissory note or other evidence of indebtedness.*

Section 1786e—12. At any regular * * * or special meeting, *legally called, * * * a written vote received by mail from any absent * * * member, and signed by him, may be read in such meeting, and shall be equivalent to a vote of * * * the member so signing; provided, that he has been previously*

notified in writing of the exact motion or resolution upon which such vote is taken, and a copy of the same is forwarded with and attached to the vote so mailed by him. *Such vote by mail, however, shall not be counted in computing a quorum.*

Section 1786e—12a. * * * *A majority of the members shall be necessary in order to constitute a quorum in any association organized under section 1786e—1 to 1786e—17, inclusive. Said majority shall be present in person or represented by territorial delegates in accordance with section 1786e—8a.*

Section 1786e—13. * * * 1. *The directors in any association organized with capital stock shall annually apportion the net profits, if any, by first setting aside at least ten per cent thereof for a reserve fund until such a fund equals thirty per cent of the paid-up common stock, and thereafter the directors may set aside such an amount for a reserve fund as they see fit or may set aside none, in their discretion. The directors shall then declare a dividend upon the paid-up capital stock at a rate per annum not to exceed eight per cent; provided, that no such dividend upon common stock shall be cumulative. The directors may then set aside not to exceed five per cent of the remaining net profits as an educational fund to be used in teaching co-operation. The directors may then grant a bonus to employes who are in the employ of the association at the time of the apportionment of profits, which bonus shall be based in amount upon the amount of compensation received by said employes during the year at a rate not to exceed the rate of patronage dividends hereinafter described. The directors shall distribute all remaining net profits by uniform dividend to patrons of the association, including stockholders and nonstockholders alike, based in amount upon the volume of business conducted by such patrons with the association; provided, that the rate of such dividend to stockholders shall be double the rate of such dividends to non-stockholders; provided further, that any such dividend to a nonstockholder may be declared in the form of capital stock, until the amount of such dividend equals the par value of one share of the association's stock, dividends thereafter to such patron being paid in the same manner as dividends to all stockholders; provided, further, that such a dividend to a nonstockholder, if it is less than the par value of one share, shall be credited to the nonstockholder's capital stock account during the first year and the second year but shall revert to the reserve*

fund if, after two years, an amount less than the par value of one share has accumulated.

2. *Any bonus to employes or dividend declared under this section may, in the discretion of the directors, be in the form of capital stock of the association.*

3. *The stockholders, at any regular or special meeting, legally called, may instruct the directors what method of apportionment of net profits to follow under the provisions of this section, insofar as these provisions confer discretion upon the directors.*

Section 1786e—14. * * * 1. *Any association organized under section 1786e—1 to 1786e—17, inclusive, to sell or act as agent to sell the products of patrons, may operate upon a nonprofit basis by contracting to pay to patrons, for products sold by said patrons to or through the association, the resale price minus a uniform charge to cover the expense involved in the handling of said products; resale price to be the actual resale price or to be based upon the average resale price during any period for products of the same type and quality; the uniform charge for expense to be specified in the contract or made otherwise ascertainable or left for determination by the directors.*

2. *Associations desiring to purchase goods or obtain services, within the purposes designated in section 1786e—2, may organize under the provisions of sections 1786e—1 to 1786e—17, inclusive. Such associations may adopt a nonprofit basis in a manner, as far as applicable, similar to that described in subsection one of this section.*

Section 1786e—15. Every association organized under * * * section 1786e—1 to 1786e—17, inclusive, shall annually, on or before the first day of April, * * * make a report to the secretary of state; such report shall contain the name of the * * * association, its principal * * * office, and generally a statement as to its business, showing total amount of business transacted *during the year*, amount of capital stock subscribed for and paid in, the authorized rate * * * of dividends on the paid-up capital stock, number of stockholders, total expenses of operation, amount of indebtedness or liabilities, and its profits and losses. Any association failing to comply with the provisions of this section shall be subject to and governed by the provisions of section 1774a of the statutes * * * *insofar* as said section relates to the failure of corporations to file reports and the penalty therefor.

Section 1786e—16. * * * *Any corporation organized under the general corporation law of this state, if such corporation is doing business upon a co-operative basis, as defined in section 1786—1, may convert itself into a co-operative association under sections 1786e—1 to 1786e—17, inclusive, by a majority vote of its members at any regular or special meeting, legally called. The president and secretary of said association, within thirty days after said meeting, shall file with the secretary of state a declaration, signed and sworn to by said officers, to the effect that said corporation has by a majority vote of its members decided to convert itself into a co-operative association under sections 1786e—1 to 1786e—17, inclusive.*

Section 1786e—16a. *The general corporation law of this state shall apply to all associations organized under sections 1786e—1 to 1786e—17, inclusive, except where said general corporation law expressly exempts such association or where the provisions of said general corporation law are opposed to or inconsistent with the provisions of sections 1786e—1 to 1786e—17, inclusive.*

Section 1786e—16m. None of the funds of any association organized under * * * sections 1786e—1 to 1786e—17, inclusive, shall be used nor shall any stock of any such association be issued * * * for the payment of any promotion expenses, * * * in excess of five per cent of the paid-up capital stock or membership fees.

Section 1786e—17. 1. *No person, partnership, corporation or association * * * doing business * * * in this state shall be entitled to use the term "co-operative" as part of its corporate or other business name or title, unless it has complied with the provisions of sections 1786e—1 to 1786e—17, inclusive; * * * except that any foreign corporation, organized under and complying with the co-operative law of the state of such corporation's creation, shall be entitled to use the term "co-operative" in this state, provided that said corporation has complied with the laws of this state applicable to other foreign corporations, insofar as those laws are applicable to said corporation, and provided, further, that said corporation is doing business upon a co-operative basis, as defined in section 1786e—1.*

2. *Every association organized under sections 1786e—1 to 1786e—17, inclusive, shall use the term "co-operative" as part of its corporate name or affixed thereto.*

3. *Every corporation or association in existence at the time of the passage of this act, which is affected by any provision hereof, shall have until July 1, 1922, to comply with such provision; and any such corporation or association, which is required by any provisions of sections 1786e—1 to 1786e—17, inclusive, to file an amendment to its articles of incorporation, shall have until said date to file such an amendment. Neither the secretary of state nor the register of deeds shall charge any fee for filing such an amendment.*

4. *Any person who violates subsection 1 of this section shall be punished by a fine not exceeding five hundred dollars or by imprisonment in the county jail not exceeding six months, or by both such fine and imprisonment; and any corporation which violates said subsection shall have its right to do business in this state revoked in a proceeding brought in any circuit court by the attorney-general.*

5. *Any association organized under sections 1786e—1 to 1786e—17, inclusive, which shall violate any provision of said sections or of the general corporation law applicable to such association shall have its right to do business in this state revoked in a proceeding brought in any circuit court by the attorney-general; and any foreign corporation admitted to business in this state upon the conditions specified in this section, which shall commit a breach of any such condition after its admission to business in this state, shall have its license to do business in this state revoked in a proceeding brought in any circuit court by the attorney-general.*

6. *The department of markets shall, upon request, assist the attorney-general in the enforcement of this section.*

SECTION 2. This act shall take effect upon passage and publication.

Approved July 6, 1921.

No. 560, A.]

[Published July 12, 1921.

CHAPTER 491.

AN ACT to amend subsection (2) of section 20.60, subsection 3 and paragraph (6) of subsection 10 of section 1492b and subsection 5r of section 1492ab, and to create paragraph (9) of subsection 10 of section 1492b of the statutes, relating to compensation for slaughter of diseased animals.

The people of the State of Wisconsin, represented in Senate and Assembly, do enact as follows: