

PENNSYLVANIA CONSOLIDATED STATUTES
TITLE 15. CORPORATIONS AND UNINCORPORATED ASSOCIATIONS
PART II. CORPORATIONS
SUBPART D. COOPERATIVE CORPORATIONS
ARTICLE A. COOPERATIVE CORPORATIONS GENERALLY
CHAPTER 71. COOPERATIVE CORPORATIONS GENERALLY

§ 7101. Short title of subpart

This subpart shall be known and may be cited as the Cooperative Corporation Law of 1988.

§ 7102. Cooperative corporations generally

(a) GENERAL RULE.-- Any corporation incorporated under this part may be organized on the cooperative principle by setting forth in its articles a common bond of membership among its shareholders or members by reason of occupation, residence or otherwise and that it is a cooperative corporation.

(b) APPLICABLE LAW.-- A corporation incorporated under this subpart shall be governed by the applicable provisions of this subpart and, to the extent not inconsistent with this subpart:

(1) Subpart B (relating to business corporations) if its articles state that it is incorporated for a purpose or purposes involving pecuniary profit, incidental or otherwise, to its shareholders or members or if its articles are silent on the subject.

(2) Subpart C (relating to nonprofit corporations) if:

(i) its articles state that it is incorporated for a purpose or purposes not involving pecuniary profit; or

(ii) it is subject to Chapter 73 (relating to electric cooperative corporations).

(c) CREDIT UNIONS.-- This subpart shall not apply to a credit union, whether proposed or existing, except as otherwise provided by Title 17 (relating to credit unions).

(d) WORKERS' COOPERATIVE CORPORATIONS.-- Except as otherwise expressly provided in Chapter 77 (relating to workers' cooperative corporations) , only Chapters 1 (relating to general provisions) , 5 (relating to corporations) and 77 shall apply to a corporation subject to Chapter 77. A cooperative corporation may be incorporated under this chapter notwithstanding the fact that its corporate purposes consist of or include a purpose or purposes within the scope of Chapter 77.

§ 7103. Use of term "cooperative" in corporate name

(a) GENERAL RULE.-- Except as otherwise provided by statute:

(1) The corporate name of a cooperative corporation shall contain the term "cooperative" or an abbreviation thereof.

(2) The name of an association shall not contain the term "cooperative" or an abbreviation thereof unless the association is a cooperative corporation.

(b) CROSS REFERENCE.-- See section 7307 (relating to prohibition on use of words "electric cooperative").

§ 7104. Election of an existing business corporation to become a cooperative corporation

(a) GENERAL RULE.-- Any business corporation not organized on the cooperative principle may become a cooperative corporation for profit under this chapter by:

(1) Adopting a plan of conversion:

(i) providing for the redemption by the corporation of all of its shares, whether or not redeemable by the terms of its articles, if the corporation is to be organized as a nonstock corporation; and
(ii) adjusting its affairs so as to comply with the requirements of this chapter applicable to cooperative corporations.

(2) Filing articles of amendment which shall contain, in addition to the requirements of section 1915 (relating to articles of amendment):

(i) A statement that the corporation elects to become a cooperative corporation.

(ii) The provisions required by section 7102(a) (relating to cooperative corporations generally) to be set forth in the articles of a cooperative corporation.

(iii) If the corporation is to be a nonstock corporation, a statement that the corporation is organized on a nonstock basis.

(iv) Such other changes, if any, that may be desired in the articles.

(b) PROCEDURE.-- The plan of conversion of the corporation into a cooperative corporation (which plan shall include the amendment of the articles required by subsection (a)) shall be adopted in accordance with the requirements of Subchapter B of Chapter 19 (relating to amendment of articles) except that:

(1) The holders of shares of every class shall be entitled to vote on the plan regardless of any limitations stated in the articles or bylaws on the voting rights of any class.

(2) The plan must be approved by two-thirds of the votes cast by all shares of each class.

(3) If any shareholder of a business corporation that adopts a plan of conversion into a cooperative corporation objects to the plan of conversion and complies with the provisions of Subchapter D of Chapter

15 (relating to dissenters rights) , the shareholder shall be entitled to the rights and remedies of dissenting shareholders therein provided. There shall be included in or enclosed with the notice of the meeting of shareholders called to act upon the plan of conversion a copy or a summary of the plan and a copy of Subchapter D of Chapter 15 and of this subsection.

(4) The plan shall not impose any additional liability upon any existing patron of the business of the corporation, whether or not that person becomes a member of the corporation pursuant to the plan, unless the patron expressly assumes such liability.

§ 7105. Termination of status as a cooperative corporation for profit

(a) GENERAL RULE.-- A cooperative corporation for profit may terminate its status as such and cease to be subject to this chapter by:

(1) Adopting a plan of conversion:

(i) providing for the issue of appropriate shares to its members if it is organized as a nonstock corporation and is not to continue as such; and

(ii) adjusting its affairs so as to comply with the requirements of this subpart applicable to business corporations that are not cooperative corporations.

(2) Amending its articles to delete therefrom the additional provisions required or permitted by:

- (i) sections 2102(a)(1) (relating to formation of nonstock corporations) and 2103 (relating to contents of articles and other documents of nonstock corporations) to be stated in the articles of a nonstock corporation if it is organized as a nonstock corporation and is not to continue as such;
 - (ii) section 7102(a) (relating to cooperative corporations generally) to be stated in the articles of a cooperative corporation; and
 - (iii) section 7103 (relating to use of term “cooperative” in corporate name).
- (b) PROCEDURE.-- The plan of conversion (which plan shall include the amendment of the articles required by this section) shall be adopted in accordance with Subchapter B of Chapter 19 (relating to amendment of articles) except that:
- (1) The members of every class shall be entitled to vote on the plan regardless of any limitations stated in the articles or bylaws, or in a document evidencing membership, on the voting rights of any class.
 - (2) The plan must be approved by a majority of the votes cast by the members of each class.
- (c) INCREASED VOTE REQUIREMENTS.-- The bylaws of a cooperative corporation for profit adopted by the shareholders or members may provide that, on any amendment to terminate its status as a cooperative corporation, a vote greater than that specified in subsection (b) shall be required. If the bylaws contain such a provision, that provision shall not be amended, repealed or modified by any vote less than that required to terminate the status of the corporation as a cooperative corporation.

§ 7106. Election of an existing nonprofit corporation to become a cooperative corporation

- (a) GENERAL RULE.-- Any nonprofit corporation not organized on the cooperative principle may become a nonprofit cooperative corporation under this chapter by:
- (1) Adopting a plan of conversion adjusting its affairs so as to comply with the requirements of this chapter applicable to cooperative corporations.
 - (2) Filing articles of amendment which shall contain, in addition to the requirements of section 5915 (relating to articles of amendment):
 - (i) A statement that the corporation elects to become a cooperative corporation.
 - (ii) The provisions required by section 7102(a) (relating to cooperative corporations generally) to be set forth in the articles of a cooperative corporation.
 - (iii) Such other changes, if any, that may be desired in the articles.
- (b) PROCEDURE.-- The plan of conversion of the corporation into a cooperative corporation (which plan shall include the amendment of the articles required by subsection (a)) shall be adopted in accordance with the requirements of Subchapter B of Chapter 59 (relating to amendment of articles) except that:
- (1) The members of every class shall be entitled to vote on the plan regardless of any limitations stated in the articles or bylaws, or in a document evidencing membership, on the voting rights of any class.
 - (2) The plan must be approved by two-thirds of the votes cast by the members of each class.
 - (3) The plan shall not impose any additional liability upon any existing patron of the business of the corporation, whether or not that person becomes a member of the corporation pursuant to the plan, unless the patron expressly assumes such liability.

§ 7107. Termination of nonprofit cooperative corporation status

(a) GENERAL RULE.-- A nonprofit cooperative corporation may terminate its status as such and cease to be subject to this chapter by:

(1) Adopting a plan of conversion adjusting its affairs so as to comply with the requirements of this subpart applicable to nonprofit corporations that are not cooperative corporations.

(2) Amending its articles to delete therefrom the additional provisions required or permitted by:

(i) section 7102(a) (relating to cooperative corporations generally) to be stated in the articles of a cooperative corporation; and

(ii) section 7103 (relating to use of term “cooperative” in corporate name).

(b) PROCEDURE.-- The plan of conversion (which plan shall include the amendment of the articles required by this section) shall be adopted in accordance with Subchapter B of Chapter 59 (relating to amendment of articles) except that:

(1) The members of every class shall be entitled to vote on the plan regardless of any limitations stated in the articles or bylaws, or in a document evidencing membership, on the voting rights of any class.

(2) The plan must be approved by a majority of the votes cast by the members of each class.

(c) INCREASED VOTE REQUIREMENTS.-- The bylaws of a nonprofit cooperative corporation adopted by the members may provide that, on any amendment to terminate its status as a cooperative corporation, a vote greater than that specified in subsection (b) shall be required. If the bylaws contain such a provision, that provision shall not be amended, repealed or modified by any vote less than that required to terminate the status of the corporation as a cooperative corporation.

§ 7111. Voting rights

Except as otherwise provided by statute, each member of a cooperative corporation shall have one vote, unless the corporation is organized on the basis of interests in real property or market shares or similar divisions of useful property or cooperative activity, in which case the articles or a bylaw adopted by the members may provide for voting on the basis of apartment units or market shares or other similar units of useful property or cooperative activity.

§ 7112. Distributions

Notwithstanding section 5551 (relating to dividends prohibited; compensation and certain payments authorized), a cooperative corporation may make patronage rebates or other distributions to its members or patrons in conformity with the purposes for which it is incorporated. A patronage rebate or dividend that is, or is equivalent to, a reduction in the charge made by a cooperative corporation to a member for goods or services shall not constitute a dividend or distribution within the meaning of this part or any other provision of law.

§ 7121. Cooperative contracts generally

(a) GENERAL RULE.-- A contract between a cooperative corporation and any member, whether contained in the bylaws or a separate writing, may require the member to:

(1) Sell, market or deliver to or through the corporation or any facilities furnished by it, all or any specified part of products produced or to be produced either by the member or under the control of the member.

(2) Authorize the corporation or any facilities furnished by it to act for the member in any manner with respect to all or any specified part of products produced or to be produced either by the member or under the control of the member.

(3) Buy or procure from or through the corporation or any facilities furnished by it, all or any specified part of goods or services to be bought or procured by the member.

(4) Authorize the corporation or any facilities furnished by it to act for the member in any manner in the procurement of goods or the procurement or performance of services.

(b) DAMAGES FOR BREACH.-- A contract authorized by subsection (a) may fix and require liquidated damages to be paid by the member to the cooperative corporation in the event of breach of the contract by the member. Liquidated damages may be a percentage of the value or a specific amount per unit of the products, goods or services involved in or the subject of the breach, or a specific sum.

(c) COLLECTIVE ACTION.-- Two or more cooperative corporations may contract and act in association, corporate or otherwise, to perform collectively any of their powers, purposes or contracts.

(d) DEFINITION.-- A contract described in subsection (a) is referred to in this subchapter as a "cooperative contract," and, unless the context otherwise requires, the term means the original cooperative contract and any amendments.

§ 7122. Notice of cooperative contracts

(a) GENERAL RULE.-- A cooperative corporation may file any cooperative contract in the manner provided in section 7123 (relating to filing procedures) for the purpose of providing notice of its existence and contents as provided in subsection (b). If the corporation has substantially uniform cooperative contracts with more than one member, it may, in lieu of filing the original contracts, file:

(1) A true copy of the uniform contract; and

(2) A list or lists of the names and addresses of members who have executed the contract and the effective date of the contract as to each such member.

(b) EFFECT OF FILING.-- Filing pursuant to section 7123 shall operate as constructive notice to all persons of the existence and contents of the cooperative contract. Any right, title, interest or lien created as to the products covered by the contract subsequent to such filing while such filing is in effect is subject to the right, title or interest of the cooperative corporation under the contract. If the member creates any mortgage upon or other security interest in any such products subsequent to the filing of the contract and if the member and the mortgagee or secured party jointly notify the corporation in writing of the existence and amount of the mortgage or other security interest, all payments which after such notice become due from the corporation to that member by reason of the sale or other handling of those products by the corporation shall be paid by the corporation to the mortgagee or other secured interest until the amount of the mortgage or the sum due the secured party has been paid, and the balance thereafter shall be paid to the member.

§ 7123. Filing procedures

(a) PLACE AND METHOD OF FILING.-- The proper place to file a cooperative contract authorized by section 7121(a)(1) or (2) (relating to cooperative contracts generally) is in the Department of State. Subchapter B of Chapter 1 (relating to functions and powers of Department of State) shall not apply to a filing under this subchapter.

- (b) AMENDMENTS.-- A cooperative contract that has been filed under this section may be amended by filing a writing signed by both the cooperative corporation and the member. The filing of an amendment does not extend the period of effectiveness of a filing of a cooperative contract.
- (c) SUFFICIENCY OF NAME OF MEMBER.-- Where a member so changes his name or in the case of an association its name, identity or corporate structure that a filing of a cooperative contract becomes seriously misleading, the filing is not effective more than four months after the change, unless a new filing is made before the expiration of that time.
- (d) EFFECT OF MINOR ERRORS.-- A filing substantially complying with the requirements of this subchapter is effective even though it contains minor errors that are not seriously misleading.
- (e) WHAT CONSTITUTES FILING.-- Presentation for filing of a cooperative contract and tender of the filing fee to or acceptance of the contract by the department constitutes filing under this subchapter.
- (f) DURATION OF EFFECTIVENESS OF FILING IN GENERAL.-- The filing of a cooperative contract shall be effective for a period of five years from the date of filing or the duration of the contract, whichever is less. The effectiveness of a cooperative contract filing lapses on the expiration of such period unless a continuation statement is filed prior to the lapse.
- (g) CONTINUATION STATEMENT.-- A continuation statement may be filed by the cooperative corporation within six months prior to the expiration of the five-year period specified in subsection (f). Any such continuation statement must be signed by the corporation, identify the original cooperative contract filing by file number and state that the original contract is still effective. Upon timely filing of the continuation statement, the effectiveness of the original filing shall be continued for five years after the last date to which the filing was effective whereupon it shall lapse in the same manner as provided in subsection (f) unless another continuation statement is filed prior to such lapse. Succeeding continuation statements may be filed in the same manner to continue the effectiveness of the original filing.
- (h) DUTIES OF DEPARTMENT.-- The department shall mark each cooperative contract with a file number and with the date and hour of filing and shall hold the contract or a microfilm or other photographic copy thereof for public inspection. In addition, the department shall index the contract according to the name of the cooperative corporation and the name or names of the members who are parties thereto and shall note in the index the file number and the address of the corporation and the address or addresses of the members.
- (i) TERMINATION.-- When a cooperative contract filed under this subchapter has been terminated in any manner, the cooperative corporation shall give, upon demand, a termination statement to the member party to the contract, who may file the statement with the department. A cooperative corporation may file at any time a termination statement listing the names of all persons whose contracts have been terminated in any manner other than by expiration of their term. Upon presentation to the department of a termination statement, it shall be noted in the index. If the termination statement has been filed in duplicate, the department shall return one copy of the termination statement to the member or corporation stamped to show the date and time of receipt thereof.
- (j) MARKING COPY OF FILINGS.-- If the person filing any cooperative contract, continuation statement or termination statement furnishes the department a copy thereof, the department upon request shall note upon the copy the file number and date and hour of the filing of the original and deliver or send the copy to such person.
- (k) FURNISHING CERTIFICATES AND COPIES.-- Upon request of any person, the department shall issue a certificate showing whether there is on file on the date and hour stated therein, any presently effective cooperative contract filing naming a particular member and, if

there is, giving the date and hour of filing of each such contract, the file number thereof and the name and address of the cooperative corporation.

(l) RETENTION OF MICROFILM OR OTHER COPIES IN LIEU OF ORIGINALS; ADMISSIBILITY OF COPIES IN EVIDENCE; DUTIES OF DEPARTMENT.-- In lieu of retaining the originals of any or all papers filed with it under this subchapter, the department may make microfilm, photographic, photostatic or other copies of them which accurately reproduce such originals and may thereafter dispose of the originals so copied, and any copy so made shall be admissible in evidence in any proceeding with the same effect as though it were an original.

(m) ILLEGIBLE FILINGS.-- The duties of the department prescribed in this subchapter shall relate only to clearly legible papers filed with it or submitted to it for filing. The department shall promptly return to the person submitting the same any paper that is not clearly legible.

§ 7124. Relief against breach or threatened breach of contract; penalty for interference

(a) RELIEF AGAINST MEMBER.-- In the event of a breach or threatened breach of a cooperative contract, the cooperative corporation shall be entitled to an injunction to prevent the breach or any further breach thereof, and to a decree of specific performance thereof. Upon showing the breach or threatened breach and upon filing a sufficient bond, the corporation shall be entitled to a preliminary or special injunction.

(b) RELIEF AGAINST THIRD PARTIES.-- Any person who, with knowledge that a cooperative contract exists, induces or attempts to induce any member to breach the contract, or who in any manner aids a breach of the contract, shall be liable to the cooperative corporation for damages caused by such interference. The corporation shall also be entitled to an injunction to prevent any interference or further interference with the contract.

§ 7125. Action for civil penalty for inducing breach or spreading false reports

In addition to the remedies provided in section 7124(b) (relating to relief against third parties), any person who knowingly and maliciously induces or attempts to induce any member of a cooperative corporation to breach a cooperative contract or who knowingly and maliciously spreads any false report about the finances or management of a cooperative corporation shall be liable, in a civil action, to the corporation aggrieved, in the amount of \$ 500 for each offense.