

PENNSYLVANIA CONSOLIDATED STATUTES  
TITLE 15. CORPORATIONS AND UNINCORPORATED ASSOCIATIONS  
PART II. CORPORATIONS  
SUBPART D. COOPERATIVE CORPORATIONS  
ARTICLE B. DOMESTIC COOPERATIVE CORPORATION ANCILLARIES  
**CHAPTER 77. WORKERS' COOPERATIVE CORPORATIONS**

§ 7701. Short title of chapter

This chapter shall be known and may be cited as the Workers' Cooperative Corporation Law of 1988.

§ 7702. Definitions

The following words and phrases when used in this chapter shall have the meanings given to them in this section unless the context clearly indicates otherwise:

"BUREAU." The Corporation Bureau of the department.

"CORPORATION." A corporation organized for profit which has elected to be governed by this chapter.

"MEMBER." An individual who patronizes a corporation by the contribution of labor and who has been accepted for membership in and owns a membership share issued by the corporation.

"PATRONAGE." The number of hours of work performed as a member of a corporation.

"PATRONAGE ALLOCATION." The share of net earnings or losses with respect to a period of time paid or credited to a member on the basis of the ratio which the member's patronage during the period involved bears to total patronage by all members during that period.

"WRITTEN NOTICE OF ALLOCATION." A written instrument which discloses to a member the stated dollar amount of the member's patronage allocation and the terms of payment of that amount by the corporation.

§ 7703. Corporations

(a) MEMBERS AND PURPOSE.-- Corporations, productive and distributive, may be incorporated under this chapter, upon compliance with its requirements, by five or

more farmers, mechanics, laborers or other persons who have incorporated themselves together by written articles under section 7704 (relating to articles of incorporation) for the purpose of carrying on agricultural, horticultural, mining, quarrying, building, mechanical, manufacturing or commercial business; for the purpose of manufacturing, cultivating, raising, trading or dealing in goods, wares, merchandise, chattels, grains, vegetables, roots, fruits and other produce or animals; or for the purpose of buying, selling, holding, leasing or improving lands, tenements or buildings.

(b) NAME.--

(1) The corporation may adopt any corporate name to indicate its cooperative character as long as the name has not been previously adopted.

(2) The two last words of the name shall be "cooperative corporation", but it shall be unlawful to use in the name either the words "society" or "company." A violation of this paragraph by a corporation formed under this chapter renders each member personally liable for all debts of the corporation.

(c) BUSINESS OFFICE.-- A corporation must have a regular business office.

§ 7704. Articles of incorporation

(a) ADVERTISEMENT.-- The incorporators shall advertise their intention to file or the corporation shall advertise the filing of articles of incorporation with the department one time in two newspapers of general circulation, one of which shall be a newspaper designated by the rules of court for the publication of legal notices, or in two newspapers of general circulation published in the county in which the initial registered office of the corporation is to be located. If there is only one newspaper of general circulation published in a county, advertisements in that newspaper shall be sufficient. Advertisements may appear prior to or after the day the articles of incorporation are filed with the department and shall set forth briefly:

(1) The name of the proposed corporation.

(2) A statement that the corporation is to be or has been organized under this chapter.

(3) The purpose of the corporation.

(4) The time of filing the articles with the department.

(b) FILING OF ARTICLES.-- The articles of incorporation shall be filed in the department. Upon the filing of the articles of incorporation, the corporation's existence begins. See section 134 (relating to docketing statement).

(c) EVIDENCE OF INCORPORATION.-- The articles of incorporation as filed in the department are conclusive evidence of the fact that the corporation has been incorporated; but proceedings may be instituted by the Commonwealth to dissolve, wind up and terminate a corporation which should not have been incorporated or which has been incorporated by means of fraud or misrepresentation or without substantial good faith compliance with the conditions prescribed by this chapter as precedent to incorporation.

(d) CONTENT OF ARTICLES.-- The articles of incorporation shall be signed by the persons originally associating themselves together and shall state distinctly:

(1) The name by which the corporation shall be known, which may not be the same as, or confusingly similar to, the name of an association or corporation existing under the law of the Commonwealth, the name of a foreign or alien association or corporation authorized to transact business in this Commonwealth, or a corporate name reserved or registered as provided by law.

(2) Subject to section 109 (relating to name of commercial registered office provider in lieu of registered address), the address, including street and number, if any, of its initial registered office in this Commonwealth.

(3) A brief statement:

(i) of the purpose or purposes for which the corporation is incorporated, which may consist of a statement that the corporation has unlimited powers to engage in any lawful act concerning any business for which corporations may be incorporated under this chapter; and

(ii) that the corporation is incorporated under this chapter.

(4) A description of the capital stock of each class which is to be issued; a statement of the preferences, qualifications, limitations, restrictions and special or relative rights granted to or imposed upon the shares of each class of capital stock; the total authorized capital stock; the number of shares into which the capital stock is divided; and the par value of each share of capital stock.

(5) The amount of capital that will be actually paid in before commencing business.

(6) The terms on which individuals may become members.

(7) The number of directors, which may not be less than five, constituting the initial board of directors and the names and addresses

of the persons who are to serve as directors until the first annual meeting of the members or until their successors are elected and take office.

(8) Other matters as may be deemed proper and necessary.

(9) The term of its existence, which shall be either perpetual or for a fixed term of years.

(10) The name and post office address of each of the incorporators; a statement of the number of shares subscribed to by each, which must be at least one; and the class of shares to which each subscribes.

#### § 7705. Capital stock

(a) **ISSUANCE AND REDEMPTION.**-- A corporation shall issue as capital stock a class of voting common stock designated as membership shares only to those individuals who fulfill all requirements for member status upon terms and conditions provided in the articles of incorporation. Each member may own only one membership share, and only members may own membership shares. A member is entitled to one vote per membership share on each question that may be presented at any meeting of the members, regardless of the number of shares of stock or membership capital owned by the member. Membership shares shall be issued for a fee determined by the board of directors. Except as otherwise provided in this chapter, a membership share entitles a member to the rights and obligations of a stockholder of a corporation organized under this title. Upon voluntary or involuntary termination of a member's work in the corporation, the membership share shall be transferred back to the corporation at the time of the termination. The redemption price of a membership share shall be determined solely by reference to the member's internal capital account under section 7706 (relating to internal capital accounts and net worth).

(b) **VOTING POWER.**-- No capital stock other than membership shares shall be granted voting power in a corporation except as provided in section 7720 (relating to amendments of articles) and the articles of incorporation.

(c) **PREFERRED STOCK.**-- A corporation may issue as capital stock a class of nonvoting preferred stock upon terms and conditions provided in the articles of incorporation. Preferred stock shall be freely transferable.

(d) **PAYMENT FOR STOCK.**-- No corporation may issue a membership share, and no certificate of stock may be issued until fully paid for, except that promissory notes may be accepted by the corporation as full or partial payment if the promissory note requires payment by regular payroll deductions commencing on the date of the member's acceptance for membership in the corporation. The corporation shall hold

the membership share or stock as security for the payment of the note, but retention as security shall not affect the member's right to vote and hold office.

(e) FRACTIONAL SHARES AND SCRIP.-- Fractional shares of and scrip for common and preferred stock may not be issued by the corporation.

(f) FORM OF CERTIFICATES.-- Certificates representing shares, membership shares and evidences of a person's equity in a fund, capital investment or other asset of the corporation shall be signed by the president, vice president, treasurer or assistant treasurer and the secretary or an assistant secretary of the corporation. Facsimiles of signatures are acceptable. These certificates may be sealed with the seal of the corporation or a facsimile.

(g) DIVIDEND AND LIEN.-- Dividends may be paid on preferred stock and may be cumulative if the articles of incorporation so provide. A corporation shall have a lien on all of its outstanding preferred stock and dividends declared or accrued for all indebtedness of the holders to the corporation if provision for a lien is stated on the face of the certificate of stock.

(h) STATUS OF MEMBERSHIP.-- A membership is not a security as defined in section 102 of the act of December 5, 1972 (P.L. 1280, No. 284), known as the Pennsylvania Securities Act of 1972. Sale, redemption and other transactions with respect to membership shares are not governed by the Pennsylvania Securities Act of 1972, except that Part IV of that act, relating to fraudulent and prohibited practices, applies.

(i) SALE, TRANSFER AND REDEMPTION OF STOCK.-- The sale, transfer and redemption of stock in the corporation other than membership shares is subject to the Pennsylvania Securities Act of 1972.

(j) ISSUANCE WITHOUT OTHER FIRST OFFER.-- Unless otherwise provided in the articles of incorporation, a corporation may issue shares without first offering them to shareholders of any class.

#### § 7706. Internal capital accounts and net worth

(a) PURPOSE OF ACCOUNTS.-- A corporation shall establish through its bylaws a system of internal capital accounts to reflect the book value of the corporation and to determine the redemption price of membership shares and written notices of allocation.

(b) TYPES OF ACCOUNTS.-- Internal capital accounts shall be of two types: individual internal capital accounts, one for each member, and a nonindividuated, collective internal capital account, which shall be called the collective reserve account.

(c) NET WORTH.-- The net worth of the corporation shall be reflected in:

(1) The internal capital accounts.

(2) The sum of the par value of all outstanding stock with par value, other than membership shares.

(3) The stated value of evidences of equity in a fund, capital investment or other asset of the corporation.

(d) PROCEDURE.-- A corporation shall credit the paid-in membership fee and additional paid-in capital of a member to the member's individual internal capital account and shall also record the apportionment of retained net earnings or net losses to the member's account in accordance with patronage, by appropriately crediting or debiting the member's account. The collective reserve account shall reflect paid-in capital, retained net earnings and net losses not allocated to the capital accounts or members or not attributable to funds under subsection (c)(1) and (3).

(e) ADJUSTMENT OF BALANCE.-- The balances in all of the individual internal capital accounts and the collective reserve account, if any, shall be adjusted at the end of each accounting period so that the sum of these balances and of the amounts under subsection (c)(2) and (3) is equal to the net worth of the corporation.

(f) USE OF FUNDS.-- Moneys allocated to the internal capital accounts may be used for corporate purposes as determined by the board of directors.

#### § 7707. Voting

No stockholder or member may vote by proxy or by mail.

#### § 7708. Acceptance and termination of membership

The articles of incorporation shall establish qualifications and the method of acceptance and termination of members. No person may be accepted as a member unless employed by the corporation on a full-time or part-time basis.

#### § 7709. Power to buy, sell or trade

A corporation may buy from, sell to and trade or deal with its members or other persons.

### § 7710. Individual liability of members

Neither members of a corporation nor the estates of members shall be individually liable for the debts of the corporation.

### § 7711. Corporate powers

Each corporation has the following powers:

- (1) To exist for the period of time set forth in its articles of incorporation unless sooner dissolved by operation of law or under this chapter.
- (2) To maintain and defend judicial proceedings by the name specified in the articles of incorporation.
- (3) To adopt and use a common seal and alter the same.
- (4) To hold, purchase, lease and transfer real and personal property as necessary or proper to effect the purposes of the corporation.
- (5) To elect a board of directors, which has the power to appoint officers, agents and employees as necessary; to prescribe their duties; to require bonds of them; and to dismiss them in accordance with the bylaws.
- (6) To make bylaws.
- (7) To make contracts and to assist or join with persons to effect the activities authorized by its articles of incorporation and conducive to or expedient for the interest or benefit of the corporation and to exercise powers necessary or proper for the accomplishment of the purposes of the corporation.
- (8) To borrow money necessary to the conduct of its operations; to issue notes, bonds and other evidence of indebtedness; and to give security in the form of mortgage or otherwise.
- (9) In furtherance of corporation purposes, to make loans or advances to its members and patrons or to subsidiary and affiliated persons or their members and to purchase or acquire, endorse, discount or sell evidence of debt, obligation or security.

(10) To establish and accumulate a collective reserve account, surplus of capital and other funds authorized by the articles of incorporation or the bylaws.

(11) To foster membership in the corporation and to solicit patrons by advertising or by educational or other means.

(12) To issue and to sell common and preferred stock.

(13) To own shares of the capital stock of, to hold membership in and to hold bonds or other obligations of other workers' corporations and to exercise all the rights of ownership, including the right to vote.

(14) To pay pensions and to establish pension plans, pension trusts and other incentive plans for its directors, officers and employees.

(15) To indemnify, under section 7718 (relating to indemnity), a director or officer or former director or officer of the corporation or a person who may have served at its request as a director or officer of another corporation in which it holds membership or owns shares of capital stock or of which it is a creditor.

(16) To make contributions and donations for the public welfare or for religious, charitable, scientific or educational purposes.

(17) To merge or consolidate with other workers' cooperative corporations.

(18) To dissolve and wind up.

(19) To exercise incidental powers as necessary or proper in the conduct of its operations.

#### § 7712. Investment of capital stock in other corporations

If the articles permit, a corporation may, by a majority vote of its members at a meeting specially convened, authorize the directors to invest, in the name of the corporation, an amount of its internal capital accounts, including both individual capital accounts and the collective reserve accounts, in the capital stock of any other domestic, foreign or alien workers' cooperative corporations. The corporation may, by a majority vote of its members at a meeting specially convened, permit an investment in the nonvoting preferred stock of the corporation by any other domestic, foreign or alien workers' cooperative corporation.

#### § 7713. Meetings



After the organization of a corporation, the incorporators shall hold an organizational meeting at a time and place fixed by the board of directors and shall adopt a set of bylaws. Not less than ten days' written notice of the meeting shall be given to each incorporator. Thereafter, there shall be at least one meeting of members each year. Annual and special membership meetings shall be governed by the corporation's bylaws. The bylaws shall provide for the giving of notice to members of each meeting of the corporation. For all meetings of the corporation, notice as provided in this section need not be given to members or other stockholders to whom the notice may be required by this chapter if a written waiver of the notice is executed before or after the meeting by each individual and is filed with the records of the meeting.

#### § 7714. Records

(a) **RECORDS REQUIREMENT.**-- A corporation shall keep at its registered office or principal place of business a record of the proceedings of the members and of the directors and the original or a copy of its bylaws, including amendments to date, certified by the secretary of the corporation, and shall keep at its registered office or principal place of business or at the office of its transfer agent or registrar a share register giving the names of the members, their respective addresses and the number and classes of shares held by each. A corporation shall keep at its registered office or principal place of business appropriate, complete and accurate books or records of account, including a record of all salaries, per diem payments and other remunerations paid to each officer and director by the corporation and remuneration received for the corporation's business transactions.

(b) **EXAMINATION AND COPIES.**-- A member, upon written demand, has a right to examine during the usual hours for business, for any proper purpose, the share register, books or records of account and records of the proceedings of the members and directors and to make copies or extracts. A proper purpose is a purpose reasonably related to the member's interest as a stockholder. If an attorney or other agent is the person who seeks the right of inspection, the demand shall be accompanied by a power of attorney or other writing which authorizes the attorney or other agent to act on behalf of the member. The demand shall be directed to the corporation at its registered office in this Commonwealth or at its principal place of business.

(c) **REMEDY TO COMPEL INSPECTION.**--

(1) If the corporation refuses to permit an inspection sought by a member under subsection (b) or does not reply to the demand within five business days after the demand has been made, the member may apply to the court of common pleas of the county in which the registered office of the corporation is located for an order to compel inspection. The court of common pleas has exclusive original jurisdiction to determine

whether or not the person seeking inspection is entitled to the inspection sought. The court may summarily order the corporation to permit the member to inspect the material and to make copies or extracts. The court may order the corporation to furnish to the member a list of its members as of a specific date on condition that the member first pay to the corporation the reasonable cost of obtaining and furnishing the list and on other conditions as the court deems appropriate.

(2) If the member seeks to inspect the books and records of the corporation, other than its register or list of members, the member must first establish both of the following:

(i) That the member has complied with the provisions of this section respecting the form and manner of making demand for inspection of the document.

(ii) That the inspection sought is for a proper purpose.

(3) If the member seeks to inspect the share register or list of members of the corporation and the member has complied with the provisions of this subsection respecting the form and manner of making demand for inspection of the documents, the burden of proof is on the corporation to establish that the inspection the member seeks is for an improper purpose. The court may, at its discretion, prescribe limitations or conditions with reference to the inspection or award other relief as the court deems just and proper. The court may order books, documents and records, pertinent extracts or authenticated copies to be brought within this Commonwealth and kept in this Commonwealth upon terms and conditions as it prescribes.

#### § 7715. Audit

(a) **PROCEDURE.**-- At the close of each fiscal year, a complete certified audit of the operations of the corporation shall be made by a qualified certified public accountant employed by the board of directors, a written report of which shall include the balance sheet, operating statement, commissions, salaries and other remunerations of directors, officers and employees and other proper information. The audit shall be submitted to the members at the next regular meeting. The annual audit of a corporation with annual gross sales of \$ 100,000 or less may be performed by an audit committee of three or more members of the corporation appointed by the board of directors; however, one of the three members must be a member of the board of directors. The members of the committee need not be certified public accountants or public accountants.

(b) **WITHDRAWAL OF AUDIT AND IMPROPER AUDITS.**-- A certified audit may not be withdrawn without approval of the board of directors. The board of

directors may seek legal recourse if the audit is conducted improperly.

§ 7716. Directors and officers

(a) DIRECTORS.--

(1) The business of the corporation shall be managed by a board of not less than five directors, who shall be natural persons. At least a majority of the board must be members. The first directors shall serve until the first annual meeting of the corporation, at which time their successors shall be elected by the members of the corporation. Thereafter, a director shall hold office for a term of not less than one year nor more than three years and until a successor is elected and qualified. In an election for directors, a member has the right to cast the number of votes equal to the number of directors to be elected; and the member may cast the whole number of votes for one director or may distribute them among several candidates. An election for a director shall be by secret ballot. A director may be elected to successive terms.

(2) Except as otherwise provided in the bylaws:

(i) A director shall be elected for a term of at least one year, except that the first directors shall serve only until the first annual meeting.

(ii) Vacancies in the board of directors, including vacancies resulting from an increase in the number of directors, shall be filled by a majority of the remaining members of the board, though less than a quorum. A person so elected shall be a director until a successor is elected by the members, who shall make such an election at the next annual meeting of the members or at a special meeting for that purpose.

(iii) The meetings of the board of directors may be held at a place determined by a majority of the directors.

(iv) A quorum for the transaction of business consists of a majority of the directors in office; and, of those present, at least a majority must be members of the corporation. The acts of a majority of the directors present at a meeting at which a quorum is present are the acts of the board of directors.

(v) The board of directors may, by resolution adopted by a majority of the board, appoint two or more directors as an executive

committee, which, to the extent provided in the resolution, shall have and exercise the authority of the board of directors.

(vi) An action taken at a meeting of the directors or members of the executive committee may be taken without a meeting, if consent in writing setting forth the action taken is signed by all of the directors or all of the members of the executive committee, as the case may be. The consent shall be filed with the secretary of the corporation.

(vii) Each director shall be provided with an updated copy of the articles of the corporation along with proposed amendments.

(3) If the bylaws so provide, the directors of a corporation may be classified in respect to the time for which they shall hold office. In this case each class shall be as nearly equal in number as possible; the term of office of at least one class shall expire in each year; and the members of a class shall not be elected for a shorter period than one year or for a longer period than three years. If, at a meeting, directors of more than one class are to be elected, each class of directors shall be elected in a separate election.

(4) A director may be removed from office by the affirmative vote of not less than a majority of the members present and voting at a regular meeting or a special meeting called for that purpose. A director may be removed from office for cause by a vote of not less than a majority of the directors then in office, but this removal may be reversed by a vote by a majority of the members present and voting at a special meeting called for that purpose. The bylaws shall provide for the filing of charges of cause, the giving of notice of the charges, an opportunity to be heard and the procedures under which a director may be removed.

(b) OFFICERS.--

(1) The board shall elect a president, a secretary and a treasurer, and may elect one or more vice presidents, and other officers as authorized in the bylaws. Officers must be members. Any two of the offices of vice president, secretary and treasurer may be held by one person.

(2) An officer may be removed by the affirmative vote of a majority of the directors if, in their judgment, the best interest of the corporation will be served by removal.

§ 7717. Patronage distributions

(a) PROCEDURE.-- Net earnings of a corporation may be apportioned, distributed

and paid periodically on the basis of patronage to those persons entitled to receive them, at a time and in a manner as the bylaws provide. The distributions shall be designated as patronage allocations.

(b) **METHOD OF PAYMENT.**-- The apportionment, distribution and payment of net earnings under subsection (a) may be in cash or written notices of allocation issued by the corporation.

(c) **MINIMUM TRANSACTION AMOUNT.**-- A corporation may provide in its bylaws the minimum amount of a single patronage transaction, which shall be taken into account for the purpose of participation in allocation and distribution of net earnings under this section.

(d) **PERIODIC REDEMPTION.**-- The bylaws of a workers' cooperative corporation shall provide for periodic redemption of written notices of allocation.

(e) **INTEREST.**-- The bylaws may provide for the corporation to pay or credit interest on the balance of each member's internal capital account.

(f) **TERMINATION REDEMPTION.**-- The articles of incorporation shall provide for the recall and redemption of the membership share upon the voluntary or involuntary termination of membership in the corporation. The price of the redemption shall be equal to the sum of the membership fee and any other capital paid in by the member, adjusted by the amount of interest accrued and by distributions of net earnings as provided in the bylaws. No redemption may be made which would render the corporation insolvent.

(g) **NET EARNINGS.**-- For purposes of this section, net earnings shall be computed in accordance with generally accepted accounting principles.

#### § 7718. Indemnity

(a) **MANDATORY.**-- A corporation shall indemnify a person acting as a director, officer, employee or agent of the corporation or acting at the request of the corporation as a director, officer, employee or agent of another person against legal expenses, including attorney fees, reasonably incurred in a civil or criminal action in which the person to be indemnified is successful.

(b) **DISCRETIONARY.**-- A corporation may indemnify a person acting as a director, officer, employee or agent of the corporation or acting at the request of the corporation as a director, officer, employee or agent of another person against liability and legal expenses, including attorney fees, judgments, fines and settlements, reasonably incurred in a civil or criminal action if the person to be indemnified was unsuccessful but acted in good faith and in a manner that the person reasonably believed to be in or not opposed to the best interests of the corporation and, in a criminal action, had no reasonable cause to believe the conduct was unlawful. The adverse determination of an action does not, of itself, create a presumption that the person to be indemnified did not act in good faith, did not act in a manner that the person reasonably believed to be in or not opposed to the best interest of

the corporation or had reasonable cause to believe the conduct was unlawful.

(c) INTEREST OF CORPORATION.-- This section applies even if the action is on behalf of or inures to the benefit of the corporation unless the liability for which indemnification is sought is based on negligence in the performance of a duty owed to the corporation.

#### § 7719. Unlawful dividends

(a) INSOLVENCY.-- For shares of the corporation other than membership shares, the board of directors may declare and the corporation may pay dividends on its outstanding shares except when the corporation is insolvent or the payment would render the corporation insolvent. If a dividend is paid, the directors under whose administration the payment was made, except those who have caused their dissent to be entered on the minutes of the meeting at which the action was authorized and those who, being absent at the time, have promptly filed their written objection with the secretary of the corporation upon learning of the action, shall be jointly and severally liable to the corporation in an amount equal to the amount of the unlawful dividend.

(b) RELIANCE ON FINANCIAL STATEMENTS.-- A director is not liable under this section if the director relied and acted in good faith upon financial statements of the corporation represented to be correct by the president of the corporation or by the officer having charge of the corporation's books of account or upon written reports, issued by an independent public or certified public accountant, which fairly purports to reflect the financial condition of the corporation.

(c) LIABILITY TO CORPORATION.-- If an unlawful dividend is paid, each stockholder is liable to the corporation in an amount equal to the amount of the unlawful dividend to the stockholder. An action to enforce this liability must be brought within two years from the date of the receipt of the dividend.

#### § 7720. Amendments of articles

(a) PURPOSE AND VOTING.-- A corporation may amend its articles of incorporation for any purpose authorized by this chapter, including an increase in the amount of its authorized capital stock, by the affirmative vote of two-thirds of its members voting at a general meeting or at the special meeting called for that purpose. No amendment affecting the priority or preferential rights of outstanding stock may be adopted until the consent of the holders of that stock is obtained by a vote at a special meeting called for that purpose. In such a vote each stockholder whose rights are affected shall have only one vote per share, and the margin necessary for the adoption of the amendment is a majority of the outstanding shares in that class of stock unless a greater vote is required by the articles of incorporation. If an amendment affects the right of more than one class of stock, then the

consent of each class of stockholder affected shall be obtained by voting in the manner described in this subsection.

(b) DELIVERY AND FILING.-- Amendments to the articles of incorporation shall be filed in the department. Upon the filing of amendments to the articles, they shall become effective. See section 134 (relating to docketing statement).

(c) NOTICE OF VOTE.-- Each member and, if required by subsection (a), each stockholder shall be notified by the corporation at least 15 days before a vote is taken to amend the articles of incorporation under subsection (a). Notification for proposed amendments to the articles of incorporation shall include a copy of the proposed amendment; a statement of its purpose and effect; and the time, date, place and manner in which the vote will be taken on the proposed amendment. Notice for all meetings provided for in this subsection need not be given to members or other stockholders under subsection (a) if a written waiver of the notice is executed before or after the meeting by each individual entitled to notice and is filed with the records of the meeting.

(d) NOTICE OF APPROVAL.-- If an amendment to the articles of incorporation is approved, the corporation shall notify each member within 30 days of the approval by sending a copy of the approved amendment to the articles.

(e) ADVERTISEMENT.-- Before or after an amendment has been adopted by the shareholders, the corporation shall advertise its intention to file or the filing of amendments to the articles with the department in a manner similar to that prescribed in section 7703 (relating to articles of incorporation). Advertisements may appear prior to or after the day upon which the articles of amendment are presented to the department and shall set forth briefly:

- (1) The name and location of the registered office of the corporation.
- (2) A statement that the amendments to the articles are to be or were filed under this chapter.
- (3) The nature and character of the amendments.
- (4) The time when the amendments to the articles are to be or were filed under this chapter.

#### § 7721. Bylaws

(a) ADOPTION, AMENDMENT AND REPEAL.-- The corporation, before commencing business, shall adopt bylaws not inconsistent with law or its articles of incorporation. The bylaws may be amended in the manner provided by law, the articles of incorporation and the bylaws. The power to amend or repeal the bylaws of a corporation is in the members only, except to the extent that the articles of incorporation require that both the members and the board of directors approve a change. The corporation shall notify each member of a proposed change in the bylaws by sending to each member, at least 15

days prior to a vote on the proposed change, a copy of the proposed change along with the time, date, place and manner of voting for the proposed changes. If a proposed bylaw change is approved, the corporation shall mail each member a copy of the approved change within 30 days of the approval.

(b) CONTENT.-- The bylaws may provide for the following matters:

(1) The time, place and manner of calling and conducting meetings of the members and the number of members that constitute a quorum.

(2) The manner of voting and the conditions upon which members may vote at general or special meetings.

(3) Subject to provision in the articles of incorporation and in this chapter, the number, qualifications, eligibility requirements, manner of nomination, duties and terms of office of directors and officers; the time of their election; and mode and manner of giving notice of election.

(4) The time, place and manner for calling and holding meetings of the directors and executive committees and the number that constitutes a quorum.

(5) Rules consistent with law and the articles of incorporation for the management of the corporation; the making of contracts; the issuance, redemption and transfer of stock; the relative rights, duties, interests and preferences of members and stockholders; and the mode, manner and effect of termination of a member.

(6) Any other provisions deemed necessary or proper to carry out the purposes of the corporation.

(7) Penalties for violations of the bylaws.

§ 7722. Benefits bestowed on associations by compliance with this chapter

A cooperative association, whether incorporated or unincorporated, shall be entitled to all the benefits of this chapter by complying with its provisions; may, by a vote of the majority of the members of the cooperative association taken according to its existing articles of association or bylaws, determine to avail itself of the provisions of this chapter and to assume a corporate name and the powers under a corporate name; and may, by a like vote, transfer to the corporation formed under this chapter all its property. Upon transfer of the property, the corporation to which the property is transferred shall take it in the same manner, to the same extent and with the same effect as the property was previously owned and held by the corporation transferring the property and may, in its corporate name, sue for and collect debts, subscriptions and other benefits belonging to the original association. A corporation taking property under this section shall take it subject to liens and trusts,



legal and equitable, to which the property was subject before transfer and shall be liable for all obligations of the previous association to the extent of the value of the property at the time of taking.

#### § 7723. Dissolution

(a) **GENERAL RULE.**-- A corporation may dissolve and wind up; may merge or consolidate with other corporations; and may sell to, lease to or exchange with other corporations all or substantially all of its property and assets. Except as otherwise provided in this chapter, these actions are governed by Subchapter C of Chapter 19 (relating to merger, consolidation, share exchanges and sale of assets). A workers' cooperative corporation which has not revoked its election to be governed by this chapter may not consolidate or merge with one or more corporations organized under any law other than this chapter. If a member objects to a corporation's merger or consolidation, the member may terminate membership in the corporation. The price of redemption of the member's interest shall be the amount in the member's individual capital account on terms and conditions as the law, the articles of incorporation and the bylaws provide.

(b) **DISTRIBUTION OF ASSETS.**-- Upon dissolution, the assets of a corporation shall be distributed in accordance with the articles of incorporation or bylaws. The recipients of the distributed assets shall be limited to the following:

- (1) Each individual who is or was a member of the corporation or the individual's estate on the basis of the ratio of the member's patronage to the total patronage of all members during the existence of the corporation.
- (2) Holders of shares of stock in the corporation other than membership shares.
- (3) Other corporations which are incorporated under this chapter or which meet the requirements of incorporation under this chapter.
- (4) Charitable institutions in support of the cooperative movement.

(c) **SECURITY INTERESTS AND INDEBTEDNESS.**-- A mortgage, pledge or creation of a security interest is not a sale within the meaning of this section. Unless otherwise provided in the articles of incorporation or bylaws, a corporation may create or increase its indebtedness in the manner, to the extent, for the purpose, upon terms and conditions and upon security as authorized by resolution adopted by its board of directors. In this case no authorization or consent of the members is required.

#### § 7724. Conversion to a corporation governed by the Business Corporation Law

(a) **AMENDMENT OF ARTICLES.**-- A corporation may revoke its election to be governed by this chapter by filing an adopted amendment to its articles of incorporation

with the department.

(b) **CONVERSION OF SHARES AND ACCOUNTS.**-- When a corporation revokes its election under subsection (a), the amendment to the articles of incorporation shall provide for the conversion of membership shares and internal capital accounts to securities or other property in a manner consistent with this title.

#### § 7725. Savings provisions

(a) **GENERAL RULE.**-- In relation to a corporation existing on the effective date of this chapter, the provisions of this chapter do not impair or affect an act done; offense committed; right accruing or accrued; or liability, penalty, forfeiture or punishment incurred prior to the effective date of this chapter.

(b) **CONTRACTS.**-- This chapter does not impair or affect a contract entered into by a corporation prior to the effective date of this chapter.

#### § 7726. Applicability

(a) **GENERAL RULE.**-- This chapter shall apply to domestic corporations incorporated under this chapter.

(b) **EXISTING CORPORATIONS.**-- This chapter shall apply to existing domestic corporations incorporated under or subject to any prior law of the Commonwealth concerning incorporation and regulation of corporations, whether cooperative or noncooperative, by the filing with the department of a certificate executed under the seal of the corporation, signed by two authorized officers of the corporation and setting forth:

- (1) The name of the corporation.
- (2) The statute by or under which it was created or formed.
- (3) A statement that the members or stockholders of the corporation have elected, by a majority vote of the members or stockholders present at a meeting called for such purpose at which a quorum is present, to accept the provisions of this chapter for the government and regulation of the affairs of the corporation.