

is allocated the salary of such position shall not exceed the average of the compensation rates for the grade, except that in unusually meritorious cases of one position in a grade, advances may be made to rates higher than the average of the compensation rates of the grade, but not more often than once in any fiscal year, and then only to the next higher rate: *Provided*, That this restriction shall not apply (1) to grades 1, 2, 3, and 4 of the clerical-mechanical service; (2) to require the reduction in salary of any person whose compensation was fixed as of July 1, 1924, in accordance with the rules of section 6 of such Act; (3) to require the reduction in salary of any person who is transferred from one position to another position in the same or different grade in the same or a different bureau, office, or other appropriation unit; (4) to prevent the payment of a salary under any grade at a rate higher than the maximum rate of the grade when such higher rate is permitted by the Classification Act of 1923, as amended, and is specifically authorized by other law; or (5) to reduce the compensation of any person in a grade in which only one position is allocated.

*Proviso.*  
Restriction not applicable in designated cases.  
42 Stat. 1490.  
5 U. S. C. § 666.

Rate of compensation and designation of positions.  
46 Stat. 32.  
2 U. S. C. § 60a;  
Supp. V, § 60a.

SEC. 4. Whenever any office or position not specifically established by the Legislative Pay Act of 1929 is specifically appropriated for herein or whenever the rate of compensation or designation of any position specifically appropriated for herein is different from that specifically established for such position by such Act, the rate of compensation and the designation of the position, or either, specifically appropriated for herein, shall be the permanent law with respect thereto; and the authority for any position specifically established by such Act which is not specifically appropriated for herein shall cease to exist.

Short title.

SEC. 5. This Act may be cited as the "Legislative Branch Appropriation Act, 1941".

Approved, June 18, 1940.

[CHAPTER 397]

AN ACT

To amend the Code of the District of Columbia to provide for the organization and regulation of cooperative associations, and for other purposes.

June 19, 1940  
[S. 2013]  
[Public, No. 642]

D. C. Code, amendment.  
District of Columbia Cooperative Association Act.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

ARTICLE I—DEFINITIONS

Definitions.

SECTION 1. DEFINITIONS.—In this Act unless the subject matter requires otherwise—

"Association."

(1) "Association" means a group enterprise legally incorporated under this Act, and shall be deemed to be a nonprofit corporation.

"Member."

(2) "Member" means not only a member in a nonshare association but also a member in a share association.

"Net savings."

(3) "Net savings" means the total income of an association minus the costs of operation.

"Savings returns."

(4) "Savings returns" means the amount returned to the patrons in proportion to their patronage or otherwise in accordance with the provisions of section 31 herein.

"Cooperative basis."

(5) "Cooperative basis" as applied to any incorporated or unincorporated group referred to in sections 4 (7), 13, 23, 37, 40, and 41 herein means—

\* (a) that each member has one vote and only one vote, except as may be altered in the articles or bylaws by provision for voting by member organizations;

(b) that the maximum rate at which any return is paid on share or membership capital is limited to not more than 8 per centum per annum;

(c) that the net savings after payment, if any, of said limited return on capital and after making provision for such separate funds as may be required or specifically permitted by statute, articles, or bylaws, or allocated or distributed to member patrons, or to all patrons, in proportion to their patronage; or retained by the enterprise, for the actual or potential expansion of its services or the reduction of its charges to the patrons, or for other purposes not inconsistent with its nonprofit character.

ARTICLE II—WHO MAY INCORPORATE; PURPOSES AND POWERS OF ASSOCIATIONS

SEC. 2. WHO MAY INCORPORATE.—Any five or more natural persons or two or more associations may incorporate in the District of Columbia under this Act.

Who may incorporate.

SEC. 3. PURPOSES.—An association may be incorporated under this Act to engage in any one or more lawful mode or modes of acquiring, producing, building, operating, manufacturing, furnishing, exchanging, or distributing any type or types of property, commodities, goods, or services for the primary and mutual benefit of the patrons of the association (or their patrons, if any) as ultimate consumers.

Purposes.

SEC. 4. POWERS.—An association shall have the capacity to act possessed by natural persons and the authority to do anything required or permitted by this Act and also—

Powers.

(1) To continue as a corporation for the time specified in its articles;

(2) To have a corporate seal and to alter the same at pleasure;

(3) To sue and be sued in its corporate name;

(4) To make bylaws for the government and regulation of its affairs;

(5) To acquire, own, hold, sell, lease, pledge, mortgage, or otherwise dispose of any property incident to its purposes and activities;

(6) To own and hold membership in and share capital of other associations and any other corporations, and any types of bonds or other obligations; and while the owner thereof to exercise all the rights of ownership;

(7) To borrow money, contract debts, and make contracts, including agreements of mutual aid or federation with other associations, other groups organized on a cooperative basis, and other nonprofit groups;

(8) To conduct its affairs within or without the District of Columbia;

(9) To exercise in addition any power granted to ordinary business corporations, save those powers inconsistent with this Act;

(10) To exercise all powers not inconsistent with this Act which may be necessary, convenient, or expedient for the accomplishment of its purposes, and, to that end, the foregoing enumeration of powers shall not be deemed exclusive.

ARTICLE III—ARTICLES OF INCORPORATION

SEC. 5. ARTICLES OF INCORPORATION; CONTENTS.—Articles of incorporation shall be signed by each of the incorporators and acknowledged by at least three of them if natural persons, and by the presidents and secretaries, if associations, before an officer authorized to take acknowledgments.

Articles of incorporation. Signing, etc.

## Contents.

Within the limitations of this Act the articles shall contain—

- (1) A statement as to the purpose or purposes for which the association is formed;
- (2) The name of the association which shall include the word "cooperative";
- (3) The term of existence of the association which may be perpetual;
- (4) The location and address of the principal office of the association;
- (5) The names and addresses of the incorporators of the association;
- (6) The names and addresses of the directors who shall manage the affairs of the association for the first year, unless sooner changed by the members;
- (7) A statement of whether the association is organized with or without shares, and the number of shares or memberships subscribed for;
- (8) If organized with shares, a statement of the amount of authorized capital, the number and types of shares and the par value thereof which may be placed at any figure, and the rights, preferences, and restrictions of each type of share;
- (9) The minimum number or value of shares which must be owned in order to qualify for membership; if organized without shares, a statement of whether the property rights of members shall be equal or unequal, and if unequal, the rule by which their rights shall be determined;

(10) The maximum amount or percentage of capital which may be owned or controlled by any member; including a statement of whether or not each member shall be limited to a single share, and whether such single shares shall be of various par values;

(11) The method by which any surplus, upon dissolution of the association, shall be distributed, in conformity with the requirements of section 36 herein for division of such surplus.

## Other provisions.

The articles may also contain any other provisions not inconsistent with law or with this Act, for the conduct of the association's affairs.

## SEC. 6. SAME; FILING; RECORDATION; FEES; EFFECT OF CERTIFICATE.—

Filing; recordation; fees; etc.

The articles shall be delivered to the recorder of deeds. If he finds that the articles conform to law, he shall file the same upon the payment of a fee of \$5, and he shall record the same, upon payment of a fee of \$1. Said fees shall be in lieu of any other fees or payments provided in section 552 of the Act entitled "An Act to establish a Code of Law for the District of Columbia", approved March 3, 1901, or in any other section of the Code of Laws of the District of Columbia, to be paid for at the time of said filing; and the last paragraph of section 552 of such Act of March 3, 1901, shall have no application to associations organized under this Act. After such filing and recording, he shall issue a certificate of incorporation, whereupon the corporate existence shall begin. Such certificate shall be conclusive evidence of the fact that the corporation has been duly incorporated. This shall not preclude the institution of quo warranto proceedings under sections 1538 through 1548, both inclusive, of the Act entitled "An Act to establish a Code of Law for the District of Columbia", approved March 3, 1901. The filing or recording of the articles or of amendments thereto, or of any other papers pursuant to this Act is required for the purpose of affording all persons the opportunity of acquiring knowledge of the contents thereof, but no person or incorporated or unincorporated group dealing with the association shall be charged with constructive notice of the contents of any such articles or papers by reason of such filing or recording.

31 Stat. 1276.  
10 D. C. Code § 14;  
Supp. V, § 14.

Issuance of certificate of incorporation; effect.

Quo warranto proceedings.

31 Stat. 1419.  
24 D. C. Code §§  
231-241; Supp. V, §§  
231-233.

Constructive notice.

SEC. 7. SAME; AMENDMENTS; FEE.—Amendments to the articles may be proposed by a two-thirds vote of the board of directors, or by petition of 10 per centum of the association's members. Notice of the meeting to consider such amendment shall be sent by the secretary at least thirty days in advance thereof to each member at his last-known address, accompanied by the full text of the proposal and by that part of the articles to be amended. Two-thirds of the members voting may adopt said amendment and when verified by the president and secretary, it shall be filed and recorded with the recorder of deeds within thirty days of its adoption, and a fee of \$1 shall be paid.

Amendments; fee.

If the amendment is to alter the preferences of outstanding shares of any type, or to authorize the issuance of shares having preferences superior to outstanding shares of any type, the vote of two-thirds of the members owning such outstanding shares affected by the change shall also be required for the adoption of the amendment; if the amendment is to alter the rule by which members' property rights in a nonshare association are determined, a vote of two-thirds of the entire membership shall be required.

Alteration of preferences of outstanding shares, etc.

The amount of capital and the number and par value of shares may be diminished or increased by amendment of the Articles, but the capital shall not be diminished below the amount of paid-up capital existing at the time of amendment.

Amount of capital; number and par value of shares.

#### ARTICLE IV—BYLAWS

SEC. 8. ADOPTION, AMENDMENT, OR REPEAL OF BYLAWS.—Bylaws shall be adopted, amended, or repealed by at least a majority vote of the members voting.

Adoption, amendment, or repeal of bylaws.

SEC. 9. CONTENTS OF BYLAWS.—The bylaws may, within the limitations of this Act provide for—

Contents of bylaws.

(1) The method and terms of admission to membership and the disposal of members' interests on cessation of membership for any reason;

(2) The time, place, and manner of calling and conducting meetings;

(3) The number or percentage of the members constituting a quorum;

(4) The number, qualifications, powers, duties, term of office, and manner, time, and vote for election, of directors and officers; and the division or classification, if any, of directors to provide for rotating or overlapping terms;

(5) The compensation, if any, of the directors, and the number of directors necessary to constitute a quorum;

(6) The method of distributing the net savings;

(7) The various discretionary provisions of this Act as well as other provisions incident to the purposes and activities of the association.

#### ARTICLE V—MEETINGS

SEC. 10. REGULAR AND SPECIAL MEETINGS.—Regular meetings of members shall be held as prescribed in the bylaws, but shall be held at least once a year. Special meetings may be demanded by a majority vote of the directors or by written petition of at least one-tenth of the membership, in which case it shall be the duty of the secretary to call such meeting to take place within thirty days after such demand. Regular or special meetings, including meetings by units as hereinafter provided, may be held within or without the District of Columbia as the articles may prescribe.

Regular and special meetings.

SEC. 11. NOTICE OF MEETINGS.—The secretary shall give notice of the time and place of meetings by sending a notice thereof to each

Notice of meetings.

member at his last-known address not less than the number of days in advance of the meeting specified in the bylaws. In case of a special meeting the notice shall specify the purpose for which such meeting is called.

Meetings by units  
of the membership.

**SEC. 12. MEETINGS BY UNITS OF THE MEMBERSHIP.**—The articles or bylaws may provide for the holding of meetings by units of the membership and may provide for a method of transmitting the votes there cast to the central meeting, or for a method of representation by the election of delegates to the central meeting; or for a combination of both such methods.

#### ARTICLE VI—VOTING

One member—one  
vote.

**SEC. 13. ONE MEMBER—ONE VOTE.**—Each member of an association shall have one and only one vote, except that where an association includes among its members any number of other associations or groups organized on a cooperative basis the voting rights of such member associations or groups may be as prescribed in the articles or bylaws.

No voting agreement or other device to evade the one-member-one-vote rule shall be enforceable at law or in equity.

No proxy.

**SEC. 14. NO PROXY.**—No member shall be permitted to vote by proxy.

Voting by mail.

**SEC. 15. VOTING BY MAIL.**—The articles or bylaws may provide for either or both of the following types of voting by mail:

(1) That the secretary shall send to the members a copy of any proposal scheduled to be offered at a meeting, together with the notice of said meeting, and that the mail votes cast by the members shall be counted together with those cast at the meeting if such mail votes are returned to the association within a specified number of days;

(2) That the secretary shall send to any member absent from a meeting an exact copy of the proposal acted upon at the meeting, and that the mail vote of the member upon such proposal, if returned within a specified number of days, shall be counted together with the votes cast at said meeting.

The articles or bylaws may also determine whether and to what extent mail votes shall be counted in computing a quorum.

**SEC. 16. APPLICATION OF VOTING PROVISIONS IN THIS ACT TO VOTING BY MAIL.**—If an association has provided for voting by mail, any provision of this Act referring to votes cast by the members shall be construed to include the votes cast by mail.

Voting by delegates.

**SEC. 17. APPLICATION OF VOTING PROVISIONS IN THIS ACT TO VOTING BY DELEGATES.**—If an association has provided for voting by delegates any provision of this Act referring to votes cast by the members shall apply to votes cast by delegates; but this shall not permit delegates to vote by mail.

#### ARTICLE VII—DIRECTORS AND OFFICERS

Board of directors.

**SEC. 18. DIRECTORS.**—An association shall be managed by a board of not less than five directors, who shall be elected for a term fixed in the bylaws not to exceed three years, by and from the members of the association and shall hold office until their successors are elected, or until removed. Vacancies in the board of directors, otherwise than by removal or expiration of term, shall be filled in such manner as the bylaws may provide.

Vacancies.

Apportionment of  
directors.

The bylaws may provide for a method of apportioning the number of directors among the units into which the association may be divided, and for the election of directors by the respective units to which they are apportioned.

An executive committee of the board of directors may be elected in such manner and with such powers and duties as the articles or bylaws may prescribe.

Executive committee.

Meetings of directors and of the executive committee may be held within or without the District of Columbia.

Meetings.

SEC. 19. OFFICERS.—The officers of an association shall include a president, one or more vice presidents, a secretary and a treasurer, or a secretary-treasurer. The officers shall be elected annually by the directors unless the bylaws otherwise provide. The president and at least one vice president must be directors, but no other officer need be a director.

Officers.

SEC. 20. REMOVAL OF DIRECTORS AND OFFICERS.—A director or officer may be removed with or without cause, by a vote of two-thirds of the members voting at a regular or special meeting. The director or officer involved shall have an opportunity to be heard at said meeting. A vacancy caused by any such removal shall be filled by the vote provided in the bylaws for election of directors.

Removal of directors and officers.

SEC. 21. REFERENDUM.—The articles or bylaws may provide that within a specified period of time any action taken by the directors must be referred to the members for approval or disapproval if demanded by petition of at least 10 per centum of all the members or by vote of at least a majority of the directors: *Provided, however,* That the rights of third parties which have vested between the time of such action and such referendum shall not be impaired thereby.

Referendum.

*Proviso.*  
Rights of third parties.

#### ARTICLE VIII—SHARES AND MEMBERSHIP

SEC. 22. LIMITATIONS UPON THE RETURN ON CAPITAL.—The return upon capital shall not exceed 6 per centum per annum upon the paid-up capital and shall be noncumulative.

Limitations upon return on capital.

Total return upon capital distributed for any single period shall not exceed 50 per centum of the net savings for that period.

SEC. 23. ELIGIBILITY AND ADMISSION TO MEMBERSHIP.—Any natural person, association, incorporated, or unincorporated group organized on a cooperative basis, or any nonprofit group, shall be eligible for membership in an association if it has met the qualifications for eligibility, if any, stated in the articles or bylaws and shall be deemed a member upon payment in full for the par value of the minimum amount of share or membership capital stated in the articles as necessary to qualify for membership.

Eligibility and admission to membership.

SEC. 24. SUBSCRIBERS.—Any natural person or group eligible for membership and legally obligated to purchase a share or shares of, or membership in, an association shall be deemed a subscriber. The articles or bylaws may determine whether, and the conditions under which, any voting rights or other rights of membership shall be granted to subscribers.

Subscribers.

SEC. 25. SHARE AND MEMBERSHIP CERTIFICATES; ISSUANCE AND CONTENTS.—No certificate for share or membership capital shall be issued until the par value thereof has been paid for in full. There shall be printed upon each certificate issued by an association a full or condensed statement of the requirements of sections 13, 14, and 26 herein.

Share and membership certificates; issuance and contents.

SEC. 26. TRANSFER OF SHARES AND MEMBERSHIP; WITHDRAWAL.—If a member desires to withdraw from the association or dispose of any or all of his holdings therein, the directors shall have the power to purchase such holdings by paying him the par value of any or all of the holdings offered. The directors shall then reissue or cancel the same. A vote of the majority of the members voting at a regular or special meeting may order the directors to exercise this power to purchase.

Transfer of shares and membership; withdrawal.

If the association fails, within sixty days of the original offer, to purchase all or any part of the holdings offered, the member may dispose of the unpurchased interest elsewhere, subject to the approval of the transferee by a majority vote of the directors. Any would-be transferee not approved by the directors may appeal to the members at their first regular or special meeting thereafter, and the action of the meeting shall be final. If such transferee is not approved, the directors shall exercise their power to purchase, if and when such purchase can be made without jeopardizing the solvency of the association.

Share and membership certificates; recall.

SEC. 27. SHARE AND MEMBERSHIP CERTIFICATES; RECALL.—The bylaws may give the directors the power to use the reserve funds to recall, at par value, the holdings of any member in excess of the amount requisite for membership; and may also provide that if any member has failed to patronize the association during a period of time specified in the bylaws, the directors may use the reserve funds to recall all his holdings and thereupon he shall cease to be a member of the association. When so recalled, such certificates of share or membership capital shall be either reissued or canceled.

Attachment.

SEC. 28. SHARE AND MEMBERSHIP CERTIFICATES; ATTACHMENT.—The holdings of any member of an association, to the extent of the minimum amount necessary for membership, but not to exceed \$50, shall be exempt from attachment, execution, or garnishment for the debts of the owner. If any holdings in excess of this amount are subjected to such liability, the directors of the association may either admit the purchaser thereof to membership, or may purchase from him such holdings at par value.

Liability of members.

SEC. 29. LIABILITY OF MEMBERS.—Members shall not be jointly or severally liable for any debts of the association, nor shall a subscriber be so liable except to the extent of the unpaid amount on the shares or membership certificate subscribed by him. No subscriber shall be released from such liability by reason of any assignment of his interest in the shares or membership certificate, but shall remain jointly and severally liable with the assignee until the shares or certificates are fully paid up.

Expulsion.

SEC. 30. EXPULSION.—A member may be expelled by the vote of a majority of the members voting at a regular or special meeting. The member against whom the charges are to be preferred shall be informed thereof in writing at least ten days in advance of the meeting, and shall have an opportunity to be heard in person or by counsel at said meeting. On decision of the association to expel a member, the board of directors shall purchase the member's holdings at par value, if and when there are sufficient reserve funds.

#### ARTICLE IX—APPORTIONMENT OF NET SAVINGS

Allocation and distribution of net savings.

SEC. 31. ALLOCATION AND DISTRIBUTION OF NET SAVINGS.—At least once a year the members and/or the directors, as the articles or bylaws may provide, shall apportion the net savings of the association in the following order:

Reserve fund.

(1) Not less than 10 per centum shall be placed in a reserve fund until such time as the fund shall equal at least 50 per centum of the paid-up capital; and such fund may be used in the general conduct of the business. The amounts apportioned to the reserve fund shall be allocated on the books of the association on a patronage basis, or in lieu thereof, the books and records of the association shall afford a means for doing so, in order that upon dissolution or earlier, if deemed advisable, such reserves may be returned to the patrons who have contributed the same, subject to the limitations of section 36 herein;

(2) A return upon capital, within the limitations of section 22, may be paid upon share capital, or, if the bylaws so provide, upon the membership capital certificates of a nonshare association; but such return upon capital may be paid only out of the surplus of the aggregate of the assets over the aggregate of the liabilities (including in the latter the amount of the capital stock) after deducting from such aggregate of the assets the amount by which such aggregate was increased by unrealized appreciation in value or revaluation of fixed assets;

(3) A portion of the remainder, as determined by the articles or bylaws, shall be allocated to an educational fund to be used in teaching cooperation, and a portion may also be allocated to funds for the general welfare of the members of the association;

(4) The remainder shall be allocated at the same uniform rate to all patrons of the association in proportion to their individual patronage: *Provided, That*—

(a) in the case of a member patron, his proportionate amount of savings returns shall be distributed to him unless he agrees that the association should credit the amount to his account toward the purchase of an additional share or shares, or additional membership capital;

(b) in the case of a subscriber patron, his proportionate amount of savings returns may, as the articles or bylaws provide, be distributed to him, or credited to his account until the amount of capital subscribed for has been fully paid;

(c) in the case of a nonmember patron, his proportionate amount of savings returns shall be set aside in a general fund for such patrons and shall be allocated to individual nonmember patrons only upon request and presentation of evidence of the amount of their patronage. Any savings return so allocated shall be credited to such patron toward payment of the minimum amount of share or membership capital necessary for membership. When a sum equal to this amount has accumulated at any time within a period of time specified in the bylaws, such patron shall be deemed and become a member of the association if he so agrees or requests, and complies with any provisions in the bylaws for admission to membership. The certificates of shares or membership to which he is entitled shall then be issued to him.

(d) if within any periods of time specified in the articles or bylaws, (1) any subscriber has not accumulated and paid in the amount of capital subscribed for; or (2) any nonmember patron has not accumulated in his individual account the sum necessary for membership; or (3) any nonmember patron has accumulated the sum necessary for membership but neither requests nor agrees to become a member, or fails to comply with the provisions of the bylaws, if any, for admission to membership, then the amounts so accumulated or paid in and any part of the general fund for nonmember patrons which has not been allocated to individual nonmember patrons shall go to the educational fund and thereafter no member or other patron shall have any rights in said paid-in capital or accumulated savings returns as such: *Provided further, That* nothing in this section shall prevent an association under this Act which is engaged in rendering services from disposing of the net savings from the rendering of such services in such manner as to lower the fees charged for services or otherwise to further the common benefit of the members: *And provided further, That* nothing in this section shall prevent an association from adopting a system whereby the payment of savings returns which would otherwise be distributed, shall be deferred for a fixed period of

Return upon capital.

Allocation to special funds.

Allocation of remainder.

*Provisos.*  
Distribution, etc., to member patrons.

Distribution, etc., to subscriber patrons.

Allocation to nonmember patrons.

Disposition of funds from subscriptions, etc., not fully paid in.

Use of savings to obtain lower service fees, etc.

Deferring payments of savings returns, etc.

months or years; nor from adopting a system, whereby the savings returns distributed shall be partly in cash, partly in shares, such shares to be retired at a fixed future date, in the order of their serial number or date of issue.

#### ARTICLE X—BONDING; BOOKKEEPING; REPORTS

Bonding.

SEC. 32. BONDING.—Every individual acting as officer or employee of an association and handling funds or securities amounting to \$1,000 or more, in any one year, shall be covered by an adequate bond as determined by the board of directors, and at the expense of the association; and the bylaws may also provide for the bonding of other employees or officers.

Books; auditing.

SEC. 33. BOOKS; AUDITING.—To record its business operation, every association shall keep a set of books, which shall be audited at the end of each fiscal year by an experienced bookkeeper or accountant, who shall not be an officer or director. Where the annual business amounts to less than \$10,000, the audit may be performed by an auditing committee of three, who shall not be directors, officers, or employees. A written report of the audit, including a statement of the amount of business transacted with members, and the amount transacted with nonmembers, the balance sheet, and the income and expenses, shall be submitted to the annual meeting of the association.

Annual report.

SEC. 34. ANNUAL REPORT.—Every association shall annually, within sixty days of the close of its operations for that year, make a report of its condition, sworn to by the president and secretary, which report shall be filed with the recorder of deeds. The report shall state—

(a) The name and principal address of the association.

(b) The names, addresses, occupations, and date of expiration of the terms, of the officers and directors, and their compensation, if any.

(c) The amount and nature of its authorized, subscribed, and paid-in capital, the number of its shareholders, and the number admitted and withdrawn during the year, the par value of its shares and the rate at which any return upon capital has been paid. For nonshare associations the annual report shall state the total number of members, the number admitted or withdrawn during the year, and the amount of membership fees received.

(d) The receipts, expenditures, assets, and liabilities of the association.

Filing of copy.

A copy of this report shall be kept on file at the principal office of the association.

Punishment for false statement.

Any person who shall subscribe or make oath to such report containing a materially false statement, known to such person to be false, shall upon conviction of such offense be punished by a fine of not less than \$25 nor more than \$200, or by imprisonment of not less than thirty days nor more than one year, or both such fine and imprisonment.

Notice of delinquent reports; mandamus.

SEC. 35. NOTICE OF DELINQUENT REPORTS; MANDAMUS.—If an association fails to make such report within the required period of sixty days, the recorder of deeds shall within sixty days from the expiration of said period send such association a registered letter directed to its principal office, stating the delinquency and its consequences. If the association fails to file the report within sixty days from the mailing of such notice, any member of the association or the United States attorney for the District of Columbia may by petition for mandamus against the association and its proper officers compel such filing to be made, and in such case the court shall require the association or the officers at fault to pay all the expenses of the proceeding including counsel fees.

## ARTICLE XI—DISSOLUTION

SEC. 36. DISSOLUTION.—An association may, at any regular or special meeting legally called, be directed to dissolve by a vote of two-thirds of the entire membership. By a vote of a majority of the members voting three of their number shall be designated as trustees, who shall, on behalf of the association and within a time fixed in their designation or within any extension thereof, liquidate its assets, and shall distribute them in the manner set forth in this section. A suit for involuntary dissolution of an association organized under this Act may be instituted for the causes and prosecuted in the manner set forth in sections 786 through 791, both inclusive, and sections 794 through 797, both inclusive, of the Act entitled "An Act to establish a Code of Law for the District of Columbia", approved March 3, 1901: *Provided*, That any distribution of assets shall be in the manner set forth in this section. In case of any dissolution of an association, its assets shall be distributed in the following manner and order: (1) By paying its debts and expenses; (2) by returning to the members the par value of their shares or of their membership certificates, returning to the subscribers the amounts paid on their subscriptions, and returning to the patrons the amount of savings returns credited to their accounts toward the purchase of shares or membership certificates; and (3) by distributing any surplus in either or both of the following ways as the articles may provide—

(a) Among those patrons who have been members or subscribers at any time during the past six years, on the basis of their patronage during that period;

(b) As a gift to any consumers' cooperative association or other nonprofit enterprise which may be designated in the Articles.

## ARTICLE XII—PENALTIES

SEC. 37. USE OF NAME "COOPERATIVE"; PENALTY.—Only (1) associations organized under this Act, (2) groups organized on a cooperative basis under any other law of the District of Columbia, and (3) foreign corporations operating on a cooperative basis and authorized to do business in the District of Columbia under this or any other law of the District of Columbia shall be entitled to use the term "cooperative", or any abbreviation or derivation thereof, as part of their business name, or to represent themselves, in their advertising or otherwise, as conducting business on a cooperative basis.

Any person, firm, or corporation violating the above provision shall upon conviction of such offense be punished by a fine of not less than \$25 nor more than \$200, with an additional fine of not more than \$200 for each month during which a violation occurs after the first month, or by imprisonment for not less than thirty days nor more than one year, or by both such fine and imprisonment. The district attorney of the United States for the District of Columbia, or any individual, or association, or group organized on a cooperative basis, may sue to enjoin an alleged violation of this section.

Should a court of competent jurisdiction decide that any person, firm, or corporation using the name "cooperative" prior to this Act, and not organized on a cooperative basis, is entitled to continue in such use, any such business shall always place immediately after its name the words "does not comply with the cooperative association law of the District of Columbia" in the same kind of type, and in letters not less than two-thirds as large, as those used in the term "cooperative".

SEC. 38. PROMOTION EXPENSES; LIMITATIONS; PENALTY.—An association shall not, directly or indirectly, use any of its funds, nor issue

Dissolution.

Involuntary dissolution.

31 Stat. 1319.  
5 D. C. Code §§  
400-414, 416-419.Proviso.  
Distribution of as-  
sets.Use of term "coop-  
erative."Punishment for vio-  
lation.Firm, etc., using  
name "cooperative"  
prior to this Act.Promotion expenses;  
limitations; penalty.

shares nor incur any indebtedness, for the payment of any compensation for the organization of the association except necessary legal fees; nor for the payment of any promotion expenses in excess of 5 per centum of the amount paid in for the shares or membership certificates involved in the promotion transaction. Any association's officer, director, or agent who gives, or any person, firm, corporation or association which receives such promotion commission in violation of this section shall, upon conviction of such offense, be punished by a fine of not less than \$25, nor more than \$200, or by imprisonment for not less than thirty days nor more than one year, or by both such fine and imprisonment.

Spreading false reports; penalty.

SEC. 39. SPREADING FALSE REPORTS; PENALTY.—Any person, firm, corporation, or association which maliciously and knowingly spreads false reports about the management or finances of any association shall, upon conviction of such offense, be punished by a fine of not less than \$25 and not more than \$200, or by imprisonment for not less than thirty days nor more than one year, or by both such fine and imprisonment.

#### ARTICLE XIII—RELATION TO OTHER LAWS

Existing cooperative groups.

SEC. 40. EXISTING COOPERATIVE GROUPS.—Any group incorporated under another law of the District of Columbia and operating on a cooperative basis or any unincorporated group operating on such a basis in the District of Columbia may elect by a vote of two-thirds of the members voting to secure the benefits of and be bound by this Act, and shall thereupon amend such of its articles and bylaws as are not in conformity with this Act. A certified copy of the amended articles shall be filed and recorded with the recorder of deeds and a fee of \$5 shall be paid.

Foreign corporations and associations.

SEC. 41. FOREIGN CORPORATIONS AND ASSOCIATIONS.—A foreign corporation or association operating on a cooperative basis and complying with the applicable laws of the State wherein it is organized shall be entitled to do business in the District of Columbia as a foreign cooperative corporation or association.

Legality declared; not in restraint of trade.

SEC. 42. LEGALITY DECLARED; NOT IN RESTRAINT OF TRADE.—No association, or method or act thereof which complies with this Act, shall be deemed a conspiracy or combination in restraint of trade or an illegal monopoly, or an attempt to lessen competition or fix prices arbitrarily.

Laws not applicable.

SEC. 43. LAWS NOT APPLICABLE.—No law of the District of Columbia conflicting or inconsistent with any part of this Act shall, to the extent of the conflict or inconsistency, be construed as applicable to associations formed hereunder; nor shall any law of the District of Columbia inappropriate to the purposes of such associations be so construed; nor shall any of the provisions of sections 574 through 797, both inclusive, of the Act entitled "An Act to establish a Code of Law for the District of Columbia", approved March 3, 1901, be construed as applicable to associations formed hereunder, except as expressly stated in this Act.

31 Stat. 1280.  
5 D. C. Code; Supp.  
V.

Annual license fee.

SEC. 44. TAXATION.—Associations formed hereunder, and foreign corporations and associations admitted under section 41 to do business in the District of Columbia and entitled to the benefits of section 37, shall pay an annual license fee of \$10.

Separability; constitutionality.

SEC. 45. SEPARABILITY; CONSTITUTIONALITY.—If any provision of this Act or the application thereof to any person or circumstance shall be held unconstitutional or otherwise invalid for any reason, the validity of the remainder of this Act and the application of such provision to other persons or circumstances shall not be affected thereby.

SEC. 46. The Congress reserves the right to alter, amend, or repeal this Act, or any charter or certificate of incorporation made thereunder.

Right reserved.

SEC. 47. SHORT TITLE.—This Act may be cited as the "District of Columbia Cooperative Association Act".

Short title.

Approved, June 19, 1940.

[CHAPTER 398]

AN ACT

To amend an Act to authorize the Secretary of War and the Secretary of the Navy to make certain disposition of condemned ordnance, guns, projectiles, and other condemned material in their respective Departments.

June 19, 1940  
[H. R. 7074]  
[Public, No. 643]

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Act entitled "An Act to authorize the Secretary of War and the Secretary of the Navy to make certain disposition of condemned ordnance, guns, and cannonballs in their respective departments", approved May 22, 1896, as amended, is amended to read as follows:*

Army and Navy  
condemned ordnance,  
etc.

"That the Secretary of War and the Secretary of the Navy are each hereby authorized, in their discretion, to loan or give to soldiers' monument associations, posts of the Grand Army of the Republic, posts of the Veterans of Foreign Wars of the United States, posts of the American Legion, and other recognized war veteran associations, State museums, and incorporated museums operated and maintained for educational purposes only, whose charter denies them the right to operate for profit, municipal corporations, and posts of the Sons of Veterans Reserve, condemned or obsolete ordnance, guns, projectiles, books, manuscripts, works of art, drawings, plans, models, and other condemned or obsolete material which may not be needed in the service of either of said Departments.

29 Stat. 133; 45 Stat.  
773.

50 U. S. C. § 67.  
Loans or gifts to  
certain organizations.

"Such loan or gift shall be made subject to rules and regulations covering the same in each Department, and the Government shall be at no expense in connection with any such loan or gift."

No expense to Gov-  
ernment.

SEC. 2. All Acts or parts of Acts in conflict with this Act are hereby repealed.

Repeal.

Approved, June 19, 1940.

[CHAPTER 399]

JOINT RESOLUTION

Authorizing the recognition of the two-hundredth anniversary of the founding of the University of Pennsylvania by Benjamin Franklin and the beginning of university education in the United States, and providing for the representation of the Government and people of the United States in the observance of the anniversary.

June 20, 1940  
[S. J. Res. 214]  
[Pub. Res., No. 86]

Whereas there are to be held at Philadelphia, Pennsylvania, and at other places during the year 1940 celebrations commemorating the two-hundredth anniversary of the founding of the University of Pennsylvania by Benjamin Franklin, said institution being the first university to be established in what are now the United States; and

University of Penn-  
sylvania bicentennial.  
Preamble.

Whereas, in accordance with resolutions of the president and fellows of the University of Pennsylvania, there will take place in Philadelphia, Pennsylvania, on the 16th, 17th, 18th, 19th, 20th, and 21st of September 1940 formal ceremonies of celebration of the bicentennial, in the presence of the governing boards, faculties, students, and alumni of the university, the delegates of other institutions, distinguished guests, and a large number of friends and benefactors; and