

AN ACT AMENDING ACT NUMBERED TWENTY-FIVE HUNDRED AND EIGHT, ENTITLED "AN ACT REGULATING THE CREATION AND OPERATION OF RURAL AGRICULTURAL COOPERATIVE ASSOCIATIONS, AND FOR OTHE...

Act No. 2566, February 03, 1916

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By authority of the United States, be it enacted by the Philippine Legislature, that:

SECTION 1. Section twenty-seven of Act Numbered Twenty-five hundred and eight, is hereby amended to read as follows:

"SEC. 27. The reserve fund shall consist of a sum set aside by the board of directors from the net profits at each annual balance prior to the distribution of any dividend, which sum shall not be less than twenty per centum of said net profits. As soon as the reserve fund shall be equal to fifty per centum of the paid-up capital stock, the accumulation of the sum set aside from the net profits may be suspended; but it shall be renewed as soon as it shall fall below said fifty per centum.

"The reserve fund may be invested in securities or investments to be recommended by the Director of Agriculture and approved by the Secretary of Public Instruction and shall be expended only for covering the deficits of the association."

SEC. 2. Section thirty-three of said Act is hereby amended to read as follows:

"SEC. 33. Immediately after their election and each year thereafter upon a date to be fixed by the by-laws, the directors shall elect from amongst themselves a president and a secretary and shall appoint such other officers as the by-laws may prescribe, the treasurer of the municipality where the association is located to act as ex officio treasurer of the association without additional compensation. The treasurer of the association shall not be eligible for election as a member of the board of directors. The directors and officers shall perform the duties intrusted to them by law or by the by-laws. A majority of the directors shall constitute a quorum for the transaction of the corporate business of the association, and every resolution of the majority of the quorum duly assembled in a meeting, shall be valid as a corporate act: Provided, That no loan shall be made except by affirmative vote of at least three members of the board."

SEC. 3. Subsections (e) and (n) of section thirty-eight of said Act are hereby amended to read as follows:

"(e) Form of appointment, term of office, resignation, removal, substitution, duties, and rights of the directors."

"(n) Dissolution and liquidation of the association, persons empowered to effect the same, manner of proceeding thereto, and application of the funds on hand upon such liquidation.

"These by-laws shall be approved by a majority vote of the members present at the stockholders' general assembly.

"The by-laws may from time to time be amended by said stockholders' general assembly subject to the approval of the Director of Agriculture."

SEC. 4. Section forty of said Act is hereby amended to read as follows:

"SEC. 40. The board of directors shall at least once each year prepare a balance sheet of the association, determine the profits and losses on all business transacted, and declare in accordance with such balance sheet the dividends to be paid to the stockholders: Provided, That dividends shall not be paid until after the accounts of the association have been examined and approved by the Auditor of the Philippine Islands, or by his duly authorized representative.

"No dividend shall be paid by any association to an amount greater than its net profits then on hand, deducting therefrom its losses and bad debts. All debts due any association on which interest is past due and unpaid for a period of six months, unless same are well secured and in process of collection, shall be considered bad debts within the meaning of this section.

"Interest accrued but not collected shall not be included among the profits for the computation of the dividend to be paid.

"Directors who, in the annual balance sheet shall maliciously participate in a failure to state clearly the actual in profits and losses of the association, or who shall willfully distribute dividends except out of the net earnings as determined in accordance with the provisions of this section or without lawful provision for reserve, or who shall in any other manner violate the provisions of this section, shall be punished by a fine of not to exceed two thousand pesos, or imprisonment not to exceed two years, or by both such fine and imprisonment."

SEC. 5. Section forty-three of said Act is hereby amended to read as follows:

"SEC. 43. It shall be the duty of the Director of Agriculture, either himself or through his agents or delegates to make propaganda in the provinces of the Archipelago for the proper and speedy organization of the associations created and established by this Act, and he shall act as legal adviser to said associations and shall revise the bylaws of each association. The Director of Agriculture shall issue, with the approval of the Secretary of Public Instruction, the necessary orders and rules regarding the manner in which they shall keep their account books and records, and the general manner of investing their funds of all kinds and the terms upon which they shall make loans to their members, and likewise the terms upon which they may receive loans and deposits from private or official persons or corporations.

"Said Director of Agriculture shall, either personally or through his agents and deputies, at least once every six months, cause an examination to be made of the operations of each association in order to ascertain whether its operations are in accordance with the law, the by-laws, or the orders and rules issued by his office. In case he finds that any association violates the law, the by-laws, or the orders and rules in the premises, he shall give the necessary orders to the board of directors of said association to have the defect remedied, and in case of noncompliance the secretary of the association shall, upon the request of the Director of Agriculture or any of his agents or deputies, call a special meeting of the stockholders' general assembly in order to decide whether or not there are grounds for the removal from office of one or more of the responsible directors.

"The treasurer of the province where the association is located and the Auditor of the Philippine Islands, either personally or through their authorized representatives, shall examine the books and accounts of the treasurer of the association at the same time that his books and accounts as municipal treasurer are examined, or at such other times as the Director of Agriculture may request such examination, the result of which shall be reported to the Director of Agriculture."

Enacted, February 3, 1916.

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