

## **AN ACT PROVIDING FOR THE ORGANIZATION OF COOPERATIVE MARKETING ASSOCIATIONS, DECLARING THEIR PURPOSES AND DEFINING THEIR POWERS, RIGHTS, AND PRIVILEGES; FIXING THE DUTIES, RIGHT...**

*Act No. 3425, December 09, 1927*

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Be it enacted by the Senate and House of Representatives of the Philippines in Legislature assembled and by the authority of the same:

SECTION 1. Title and declaration of purposes.—This Act shall be known and may be cited as "The Cooperative Marketing Law." Every association incorporated under this law shall be operated primarily for the mutual benefit of the members thereof, as producers, and should aim to pro-mote, foster, and encourage the intelligent and orderly marketing of agricultural products through cooperation; to make the distribution of agricultural products between producer and consumer as direct as can be efficiently done; and to stabilize the marketing of agricultural products.

SEC. 2. Definitions.—As used in this Act:

- (a) The term "agricultural products" shall include horti-cultural, forestry, dairy, livestock, poultry and any farm products.
- (b) The term "association" means any corporation organized under this Act.
- (c) The term "member" shall include actual members of associations without capital stock and holders of common stock in associations organized with capital stock.
- (d) The term "person" shall include individuals, firms, partnerships, corporations and associations.

SEC. 3. Who may organize.—Fifteen or more persons, a majority of whom are residents of the Philippine Islands, engaged in the production of agricultural products, may form a cooperative marketing association, with or without capital stock, under the provisions of this Act, by the adoption of and filing with the Bureau of Commerce and Industry articles of incorporation and by-laws in the same manner as is required of other corporations organized under the Corporation Law, Act Numbered One thousand four hundred fifty-nine as amended, except as herein provided.

SEC. 4. Preliminary investigation.—Every person or group of persons contemplating the organization of an association under this Act shall communicate with the Director of the Bureau of Commerce and Industry, who will inform him or them whatever a survey of the marketing or other economic conditions affecting any or all of the agricultural products proposed to be handled may indicate regarding probable success. On account of non-compliance with this provision, or, upon the belief that the marketing or other economic conditions affecting the distribution of any or all of the agricultural products proposed to be handled do not justify the organization of such an association, the Director of the Bureau of Commerce and Industry may delay or refuse the issuance of certificate of incorporation.

SEC. 5. Cooperative marketing districts and territories.—The Director of the Bureau of Commerce and Industry may divide the Philippine Islands into several cooperative marketing districts and territories, and refuse the incorporation of an association which shall propose to operate and transact business in a district or territory where another association or associations handling any or all of the agricultural products proposed to be handled, shall have been already organized and existing under this Act.

SEC. 6. Powers.—Every association organized hereunder shall have the following powers, and such general powers of ordinary business corporations organized under the Corporation Law, Act Numbered One thousand four hundred fifty-nine as amended, as are not inconsistent with any of the provisions of this Act:

(a) To engage in any activity in connection with the marketing, selling, preserving, harvesting, drying, processing, manufacturing, canning, packing, grinding, baling, storing, handling, or utilization of any agricultural products produced or delivered to it by its members, or in the manufacturing or marketing of the by-products thereof or in any activity in connection with the purchase, hiring, or use by its members of supplies, machinery or equipment, or in the financing of any such activities or in any one or more of the activities specified in this section. No association, organized under this Act, shall handle the agricultural products of any non-member except for storage.

(b) To borrow money and give loans and advances to members.

(c) To act as the agent or representative of any member or members in any of the above mentioned activities.

(d) To own stock of, or be a member of, any other associations organized under this Act, or of any corporations or associations organized under any previously existing law of the Philippine Islands, and engaged in any related activity, or in the warehousing or handling or marketing of any of the agricultural products handled by the association.

(e) To establish reserves and to invest the funds thereof in stock or bonds or in such other property as may be provided in the by-laws.

(f) To do each and every thing necessary, suitable or proper for the accomplishment of any one of the purposes or the attainment of any one or more of the subjects herein enumerated or conducive to or expedient for the interest or benefit of the association; and to contract accordingly; and in addition to exercise and possess all powers, rights, and privileges necessary or incidental to the purposes for which the association is organized or to the activities in which it is engaged.

SEC. 7. Who may be members.—Under the terms and conditions prescribed in the by-laws adopted by it, an association shall admit as members, or issue common stock only to persons engaged in the production of the agricultural products to be handled by or through the association, including the lessees and tenants of land used for the production of such products and any lessors and landlords who received as rent all or part of the crop raised on the leased premises.

One association organized hereunder may become a member or stockholder of any other association or associations organized hereunder.

SEC. 8. Articles of incorporation.—The articles of incorporation of each association formed under this Act must set forth:

(a) The corporate name of the association, in which the word "Cooperative" shall be included.

(b) The purposes for which it is formed and the agricultural product or products to be handled.

(c) The place or places where its principal business will be transacted, and the place where its principal office will be established or located, which place or places must be within the Philippine Islands.

(d) The term for which it is to exist, not exceeding fifty years.

(e) The names and addresses of the incorporators.

(f) The names and addresses of the incorporating directors who are to serve as such for the first term, or until their successors are duly elected and qualified. The number of directors thereof shall not be less than five.

(g) If organized without capital stock, whether the property rights and interest of each member shall be equal or unequal, the general rule or rules applicable to all members by which the property rights and interest, respectively, of each member may and shall be determined and fixed; and provision for the admission of new members who shall be entitled to share in the property of the association with the old members, in accordance with such general rule or rules.

(h) If organized with capital stock, the amount of such stock, in Philippine currency, and the number of shares into which it is divided and the par value thereof.

(i) If organized with capital stock, the amount of capital stock actually subscribed, the names and residences of persons subscribing, the amount subscribed by each, and the sum paid by each on his subscription.

(j) The capital stock may be divided into preferred and common stock. If so divided, the articles of incorporation must contain a statement of the number of shares of stock to which preference is granted, the nature and definite extent of the preference and privileges granted to each, and the manner of redeeming or retiring such shares of preferred stock.

SEC 9. Minimum amounts of subscription and payment on subscription.—The Director of the Bureau of Commerce and Industry shall not file the articles of incorporation of any cooperative marketing association with capital stock unless accompanied by a sworn statement of a treasurer elected by the directors showing that at least twenty per centum of the entire capital stock has been subscribed, and that at least twenty per centum of the subscription has been either paid to him in actual cash for the benefit and to the credit of the association, or that there has been transferred to him in trust and received by him for the benefit and to the credit of the association property the fair valuation of which is equal to twenty per centum of the subscription.

SEC. 10. Adoption and keeping of by-laws.—Each association formed under this Act must adopt, for its government and management, a code of by-laws, not inconsistent with the powers granted by this Act, and its articles of incorporation. A majority vote of the members, or their written assent, is necessary to adopt such by-laws. The by-laws shall be signed by the members voting for them or giving assent thereto, and shall be kept in the principal office of the association, subject to the inspection of the members or stockholders during office hours, and a copy thereof, duly certified to by a majority of the directors and countersigned by the secretary of the association, shall be filed with the Director of the Bureau of Commerce and Industry, who shall attach the same to the articles of incorporation.

SEC. 11. Time for filing by-laws; certificate of incorporation.—The by-laws may be filed with the Director of the in Bureau of Commerce and Industry at the time of filing the articles of incorporation, or thereafter. The Director of the Bureau of Commerce and Industry, on the filing of the by-laws, and upon attaching the same to the articles of incorporation provided by this Act to be filed, shall issue to the incorporators a certificate, under the seal of his office setting forth that such articles of incorporation and by-laws have been duly filed in his office in accordance with law; and thereupon the persons signing the articles of incorporation and their associates and successors shall

constitute a body politic and corporate, under the name stated in the certificate, for the term specified in the articles of incorporation, not exceeding fifty years, unless sooner legally dissolved.

SEC. 12. What may be provided for under the by-laws.—Each association, under its by-laws, may provide for any or all of the following matters:

- (a) The time, place and manner of calling and conducting its meetings.
- (b) The number of members or stockholders, entitled to vote, constituting a quorum.
- (c) The right of members, or stockholders, entitled to vote, to vote by proxy or by mail or both; and the conditions, manner, form and effects of such votes.
- (d) The number of directors constituting a quorum.
- (e) The qualifications, compensation and duties and term of office of directors and officers, time of their election and the mode and manner of giving notice thereof.
- (f) Penalties for violations of the by-laws.
- (g) The amount of entrance, organization and membership fees, if any, the manner and method of collection of the same and the purposes for which they may be used.
- (h) The amount which each member shall be required to pay annually or from time to time, if at all, to carry on the business of the association; the charge, if any, to be paid by each member for services rendered by the association to him and the time of payment and the manner of collection; and the marketing contract between the association and its members which every member may be required to sign.
- (i) The qualification of members of the association and the conditions precedent to membership or ownership of common stock; the method, time and manner of permitting members to withdraw or the holders of common stock to transfer their stock; the manner of assignment and transfer of the interests of members and of the shares of common stock; the conditions upon which and time when membership of any member shall cease; the automatic suspension of the rights of a member when he ceases to be eligible to membership in the association and the mode, manner and effect of the expulsion of a member; the manner of determining the value of a member's interest and provision for its purchase by the association upon his death, withdrawal, or expulsion, or, upon the forfeiture of his membership, or, at the option of the association, upon the purchase of his interest at a price fixed by conclusive appraisal by the board of directors. In case of the withdrawal or expulsion of a member, the board of directors shall equitably and conclusively appraise his property interests in the association and shall fix the amount thereof in money, which shall be paid to him within one year after such expulsion or withdrawal.

SEC. 13. Amendments to the articles of incorporation.—The articles of incorporation may be altered or amended at any regular meeting or any special meeting called for that purpose. An amendment must first be approved by a majority of the directors and then adopted by a vote of the majority of all the members or stockholders of the association who are entitled to vote. Amendments to the articles of incorporation, when so adopted, must be filed with the Director of the Bureau of Commerce and Industry, who shall attach the same to the original articles of incorporation.

SEC. 14. Amendments to the by-laws.—A vote of the majority of all the members, or stockholders entitled to vote, or their written assent, is necessary to amend or repeal any by-law or adopt new by-laws. Copies of such amendments or new by-laws, thus adopted, shall be in the same form, and kept and filed in the same manner as the original by-laws.

SEC. 15. Filing fees.—Each association incorporated under this Act, with or without capital stock, shall pay to the Director of the Bureau of Commerce and Industry the following fees:

- (a) For filing articles of incorporation, fifteen pesos.
- (b) For filing amendments to articles of incorporation, five pesos.
- (c) For filing by-laws, two pesos.
- (d) For filing amendments to by-laws, or new by-laws, one peso.

SEC. 16. General and special meetings—how called.—In its by-laws, each association shall provide for one or more regular meetings annually. The board of directors shall have the right to call a special meeting at any time, and ten per cent of the members or stockholders may file a petition stating the specific business to be brought before the association and demand a special meeting at any time. Such meeting must thereupon be called by the directors. Notice of all meetings, together with a statement of the purposes thereof, shall be mailed to each member or stockholder entitled to vote, at least ten days prior to the meeting: Provided, however, That the by-laws may require instead that such notice may be given publication in a newspaper of general circulation published at the principal place of business of the association, if any, or in default thereof in a newspaper of general circulation in the City of Manila.

SEC. 17. Voting power.—No member of any association organized under this Act, shall be entitled to more than one vote, regardless of the amount of common stock or membership capital he may own therein.

Owners of preferred stock who are not holders of any shares of common stock shall have no voting power, nor shall they be entitled to notice of any regular or special meeting: Provided, however, That in the event an association fails to pay any dividend which has accrued upon preferred stock for a period of two years after such dividend has accrued, then and in that event, and until all such dividend is paid, such preferred stockholders shall be entitled to notice of all regular or special meetings, and to the same voting power as attaches to members or owners of common stock: And, provided, further, That nothing contained herein shall be construed to preclude the said preferred stockholders from attending any regular or special meetings, and voicing their opinions regarding the election, appointment, or removal of any director or officer, of the association, or, any questions affecting the management of the affairs thereof.

SEC. 18. Directors—election, appointment, etc.—The affairs of the association shall be managed by a board of not less than five directors, elected by the members, or stockholders entitled to vote. The by-laws may provide that the territory in which the association has members shall be divided into districts and that the directors shall be elected respectively by the members, or stockholders entitled to vote, in such districts. In such a case the by-laws shall specify the number of directors to be elected by each district, the manner and method of reapportioning the directors and of redistricting the territory covered by the association.

The by-laws may provide that one or more directors may be appointed by any public official. The director or directors so appointed need not be members or stockholders of the association, but shall have the same powers and rights as other directors. Such directors shall not number more than one-fifth of the entire number of directors.

Except as provided in the last preceding paragraph of this section no person shall become a director of any association, organized under this Act, unless he is a member or an owner of common stock thereof.

SEC. 19. Filling vacancy on board of directors.—When a vacancy on the board of directors occurs other than by expiration of term, the remaining members of the board, by a majority vote, shall fill the vacancy, unless the by-laws provided for an election of directors by district. In such a case the board of directors shall immediately

call a special meeting of the members, or stockholders entitled to vote, in that district to fill the vacancy.

SEC. 20. Manager.—The by-laws may provide for the appointment by the board of directors, of a manager who need not be a member or stockholder, and may allot to such manager any or all of the functions and powers of the board of directors subject to the general direction and control of the board.

SEC. 21. Election of officers.—The directors shall elect from their number a president and one or more vice-presidents. They shall also elect a secretary and a treasurer, who need not be directors or members or stockholders of the association; and they may combine the two latter offices and designate the combined office as secretary-treasurer; or unite both functions and titles in one person.

SEC. 22. Government officers and employees may become officers.—Upon recommendation of a Bureau chief, the Secretary of the Department concerned may grant written authority to any officer or employee of the Philippine Government to take an active part in the organization and operation of any association created hereunder, and to occupy and perform the duties of any position in the same, outside of Government office hours, and to receive the salary or emoluments thereof.

SEC. 23. Bonding of directors, officers and employees.—Every director, officer, and employee handling funds or negotiable instruments or property of or for any association created hereunder, or having charge or control over agricultural products belonging to such association or its members shall be required to execute and deliver adequate bonds for the faithful performance of his duties and obligations.

SEC. 24. Contract for profit—prohibition.—No director, officer, or employee, during the term of his office, shall be a party to a contract for profit with the association differing in any way from the business relations accorded members of the association, or differing from terms generally current in that district.

SEC. 25. Removal of officer or director.—Any member or stockholder may bring charges against an officer or director by filing them in writing with the secretary of the association, together with a petition signed by five per cent of the members or stockholders, requesting the removal of the officer or director in question. The removal shall be voted upon at the next regular or special meeting of the association and, by vote of the majority of the members or stockholders entitled to vote, the association shall remove the officer or director and fill the vacancy. The officer or director, against whom such charges have been brought, shall be informed in writing of the charges previous to the meeting and shall have an opportunity at the meeting to be heard in person or by counsel and to present witnesses; and the person or persons bringing the charges against him shall have the same opportunity.

In case the by-laws provide for election of directors by districts, then the petition for removal of a director must be signed by twenty per cent of the members or stockholders residing in the district from which he was elected. The board of directors must call a special meeting of the members or stockholders entitled to vote in that district to consider the removal of the director; and by a vote of the majority of the members, or stockholders entitled to vote, in that district, the director in question shall be removed from office.

SEC. 26. Referendum.—Upon demand of not less than two-fifths of the entire board of directors, any matter that has been approved or passed by the board must be referred to the members or stockholders entitled to vote, for decision at the next regular meeting, or at a special meeting called for that purpose; and a vote of the majority of all the members, or stockholders entitled to vote shall settle the matter.

SEC. 27. Issue of stock.—No association shall issue stock to any person until it has been fully paid for. Promissory notes may be accepted as full or partial payment for stock issued by an association but not before or during the filing of its articles of incorporation. The association shall hold the stock and any interests or dividends accruing thereon as security for the payment of the note; but such retention as security shall not affect the stockholder's

right to vote.

SEC. 28. Dividends on membership capital and capital stock.—No association, organized under this Act, shall pay dividends in excess of eight per cent per annum on membership capital and common stock, and ten per cent per annum on preferred stock.

SEC. 29. Patronage dividend.—The net profits of the association, over and above expenses and dividends on membership capital, or capital stock actually subscribed and paid, shall be distributed as patronage dividend among the members or owners of common stock thereof, in proportion to the value or volume of agricultural products sold to or through the association during the period for which such apportionment is made; but this provision shall not be construed to prevent the setting aside a part of the net profits to a surplus fund for the benefit of the association.

SEC. 30. Member's or stockholder's liability for debts of the association.—No member or stockholder shall be liable for the debts of the association to an amount exceeding the sum remaining unpaid on his membership fee or his subscription to the capital stock, including any unpaid balance on any promissory notes given in payment thereof.

SEC. 31. Transfer of common stock.—The by-laws shall prohibit the transfer of the common stock of the association to persons not engaged in the production of the agricultural products handled by the association and such restriction must be printed upon every certificate of stock subject thereto.

SEC. 32. Purchase by the association of its common stock.—The association may, at any time, as specified in the by-laws except when the debts of the association exceed fifty per cent of the assets thereof, buy in or purchase its common stock at the book value thereof, as conclusively determined by the board of directors, and pay for it in cash within one year thereafter.

SEC. 33. Shares of preferred stock in exchange for acquired interest. —Whenever an association, organized hereunder with preferred capital stock, shall purchase the stock or any property, or any interest in any property of any person, firm, corporation, or association, it may discharge the obligation so incurred, wholly or in part, by exchanging for the acquired interest, shares of its preferred capital stock, to an amount which at par value would equal the fair market value of the stock or interest so purchased, as determined by the board of directors. In that case the transfer to the association of the stock, property or interest purchased shall be equivalent to payment in cash for the shares of preferred capital stock issued.

SEC. 34. Contracts and agreements with other associations.—Any association may, upon resolution adopted by its board of directors, enter into all necessary and proper contracts and agreements and make all necessary and proper stipulations, agreements and contracts and arrangements with any other cooperative corporation or association engaged in any related activity or with any other association formed under this Act, for the cooperative and more economical carrying on of its business or any part or parts thereof. Any two or more associations, organized hereunder, may, by agreement between them, unite in employing and using or may separately employ and use the same personnel, methods, means and agencies for carrying on and conducting their respective business.

SEC. 35. Marketing contract.—The association and its members may make and execute marketing contracts, requiring the members to sell, for any period of time, not over ten years, all or any specified part of their agricultural products, exclusively to or through the association. If they contract a sale to the association, it shall be conclusively held that title to the products passes absolutely and unreservedly, except for recorded liens, to the association upon delivery or at any other time specified in the contract. The contract may provide that the association may sell or resell the products delivered by its members, with or without taking title thereto; and pay

over to its members the resale price, after deducting all necessary selling, overhead and other costs and expenses, including dividends on membership capital or capital stock actually subscribed and paid, and reserves for retiring the preferred stock, if any; and other proper reserves.

SEC. 36. Breach of contract—liquidated damages.—The by-laws or the marketing contract may fix, as liquidated damages, specific sums to be paid by the member to the association upon the breach by him of any provision of the marketing contract regarding the sale or delivery or withholding of the products, and may further provide that the member will pay all costs, premium for bonds, and court expenses and attorney's fees, in case any action is brought upon the contract by the association.

SEC. 37. Injunction to prevent further breach of contract.—In the event of any breach or threatened breach of the marketing contract by a member, the association shall be entitled to an injunction and a decree of specific performance. Upon filing a verified complaint showing the breach or threatened breach and a sufficient bond, the association shall be entitled to a temporary restraining order against the member.

SEC. 38. Conclusive presumption as to one's ability to control products produced on his land. —In any action upon marketing agreements, it shall be conclusively presumed that a landowner or landlord or lessor is able to control the delivery of products produced on his land by tenants or others, whose tenancy or possession or work on such land or the terms of whose tenancy or possession or labor thereon were created or changed after the execution by the landowner or landlord or lessor of such a marketing agreement.

SEC. 39. Warehousemen liable for damages for encouraging or permitting delivery of products in violation of en marketing agreements.—Any person, firm or corporation in conducting a warehouse in the Philippine Islands who of solicits or persuades or permits any member of any association organized hereunder to breach his marketing contract with the association by accepting or receiving such member's products for sale or for auction or for display for sale, contrary to the terms of any marketing agreement of which said person or any member of the said firm or any active officer or manager of the said corporation has knowledge or notice, shall be liable for damages to the association aggrieved in a civil suit in the sum of not more than five hundred pesos for each such offense; and such association shall be entitled to any injunction against such warehouseman to prevent further breaches of the marketing contract. In addition, said warehouseman shall pay to the association a reasonable attorney's fee and all costs involved in any such litigation or proceedings at law.

SEC. 40. Inducing breach of marketing contract; spreading false reports about the finances or management thereof.—Any person who knowingly induces or attempts to induce any member of an association organized hereunder to breach his marketing contract with the association, or who maliciously and knowingly spreads false reports about the finances or management thereof, shall be punished by a fine of not less than one hundred pesos and not more than five hundred pesos for each such offense; and shall be liable for damages to the association aggrieved in a civil suit in the sum of not more than five hundred pesos for each such offense.

SEC. 41. Limitation of the use of the word "cooperative."—No person, firm, corporation or association beginning to do business or organized in the Philippine Islands after the passage of this Act shall be entitled to use the word "Cooperative" as part of its corporate or other business name or title for growers' or producers' cooperative marketing activities, unless it has complied with the provisions of this Act.

SEC. 42. Associations heretofore organized may adopt the of provisions of this Act.—Any corporation or association organized and existing under any previously existing law of the Philippine Islands, and engaged in growers' or producers' cooperative marketing activities, may, by a majority vote of its members or stockholders, be brought under the provisions of this Act by limiting its membership and adopting the other restrictions as provided herein: Provided, however, That all contracts heretofore made by or on behalf of such association or

corporation shall not be affected by its incorporation under this Act. It shall make out in duplicate a statement signed and sworn to by its directors to the effect that the association or corporation has, by a majority vote of its members or stockholders, decided to accept the benefits and be bound by the provisions of this Act and has authorized all changes accordingly. Amendments to the articles of incorporation and the bylaws shall be made, adopted and filed accordingly so as to comply with the provisions of this Act. The filing fees shall be the same as for filing amendments to articles of incorporation and by-laws, as provided in this Act.

SEC. 43. Books and records.—All associations organized hereunder shall carefully keep and preserve a record of all their business transactions and minutes of all meetings of their directors and of their members or stockholders, setting forth in detail in each case the date and place where the meeting was held, whether the meeting was regular or special, and if special, what was its purpose and by whom it was called, the directors and members or stockholders present and absent, and all resolutions adopted at such meeting.

SEC. 44. Annual reports.—Each association formed under this Act shall prepare and make out an annual report on forms to be furnished by the Director of the Bureau of Commerce and Industry, containing the name of the association ; its principal place of business; the names and addresses of its directors and officers and a general statement of its business operations during the year, showing the amount of capital stock paid up and the number of stockholders of a stock association or the number of members and amount of membership fees received, if a nonstock association; the total expenses of operation; and its balance sheets.

SEC. 45. Promotion and supervision.—It shall be the duty of the Director of the Bureau of Commerce and Industry, either himself or through his agents or representatives to make propaganda in the provinces of the Archipelago for the proper and speedy organization of associations under this Act, and he shall act as legal and technical adviser to such associations.

Said Director of the Bureau of Commerce and Industry may, either personally or through his agents or representatives, at any time, cause an examination to be made of the operations of each association created hereunder in order to ascertain whether its operations are in accordance with this Act, its articles of incorporation, or its by-laws. In case he finds that any association created hereunder violates any or all of the provisions of this Act, its articles of incorporation, or its by-laws, 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 said Director of the Bureau of Commerce and Industry or any of his agents or representatives, call a special meeting of the members, or stockholders entitled to vote, in order to decide whether or not there are grounds for the removal from office of one or more of the responsible officers or directors.

The personnel of the Research Division of the Bureau of Commerce and Industry is hereby assigned to carry out and put into effect the provisions of this section.

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 be empowered to examine the books, records, and accounts of every association created hereunder, at such times as the Director of the Bureau of Commerce and Industry may request such examination, the result of which shall be reported to him.

SEC. 46. Associations are not in restraint of trade.—Any association organized hereunder shall be deemed not to be a conspiracy nor a combination in restraint of trade nor an illegal monopoly; nor an attempt to lessen competition or to fix prices arbitrarily or to create a combination or pool in violation of any law of the Philippine Islands; and the marketing contracts and agreements between the association and its members and any agreements authorized in this Act shall be considered not to be illegal nor in restraint of trade nor contrary to the provisions of any law or statute enacted against pooling or combinations.

SEC. 47. Arbitrary fixing and undue enhancement of the price of any agricultural products; forfeiture of charter.—Nothing contained in the last preceding section shall authorize any association organized under this Act to restraint trade by arbitrarily fixing or by unduly enhancing the price of any agricultural products. Any association violating the provisions of this section shall be deemed to have abused its powers, and shall have its charter subject to forfeiture.

SEC. 48. Exemptions.—Any association organized under this Act shall not be subject to the payment of the merchant's sales tax and the income tax.

Any exemptions under any and all existing laws applying to agricultural products in the possession or under the control of the individual producer, shall apply similarly and completely to agricultural products delivered by the farmer members to the association, or which are in the possession or under the control of the association.

SEC. 49. Conflicting laws not to apply; application of the Corporation Law.—Any provisions of law which are of in conflict with this Act shall not be construed as applying to the associations organized hereunder.

Provisions of the Corporation Law, Act Numbered Fourteen hundred and forty-nine as amended, and all powers and rights thereunder, shall apply to the association organized hereunder, except where such provisions are in conflict or inconsistent with the express provisions of this Act, or contrary to the spirit thereof.

SEC. 50. Date when this Act shall take effect.—This Act shall take effect on its approval.

Approved, December 9, 1927.

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