

17-1613. Certificate of membership; stock and stockholders. (a) When a member of an association established without capital stock has paid such member's membership fee in full, such member shall receive a certificate of membership. No association shall issue stock to a member until such stock has been fully paid for; promissory notes of the members may be accepted by the association as full or partial payment. The association shall hold the stock as security for the payment of the note, but such retention as security shall not affect the member's right to vote. Except for debts lawfully contracted between the member and the association, no member shall be liable for the debts of the association to an amount exceeding the sum remaining unpaid on such member's membership fee or such member's subscription to the capital stock. No stockholder of a cooperative association, except another cooperative association shall own more than 20% of the common stock of the association. An association in its bylaws may limit the amount of common stock which one member may own to any amount less than 20% of the common stock.

(b) The articles of incorporation or the bylaws may provide that no member or stockholder shall be entitled to more than one vote and may also provide for voting based on patronage or patronage equity or both. In the event voting is based on patronage or patronage equity or both, no member shall have more than 5% of the total vote unless the member is another cooperative association. If voting based on patronage or patronage equity, or both, is used, the provisions of this act referring to a majority or similar percentage vote by members, shareholders or shares shall refer to such majority or other proportion of the voting power of the members, stockholders or shares. Any association organized with stock, under this act, may issue preferred stock with or without the right to vote, or with such restrictions on its voting power as the articles of incorporation may prescribe; such stock may be redeemed or retired by the association upon such terms and conditions as may be provided for in the articles of incorporation, and printed on the certificate.

(c) The bylaws shall prohibit the transfer of the common stock of the association to persons not eligible to be a member of the association and such restrictions must be printed upon every certificate of stock subject thereto.

(d) The association may at any time buy in or purchase its common stock at par or book value as conclusively determined by the board of directors.

History: L. 1921, ch. 148, § 13; R.S. 1923, 17-1613; L. 1931, ch. 150, § 6; L. 1992, ch. 227, § 13; July 1.