

THE MASSACHUSETTS COOPERATIVE ACT



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MASACHUSETTS GENERAL LAWS

CHAPTER 157B

COOPERATIVE ACT

SECTION 1: PURPOSE OF CHAPTER

Section 1. The purpose of this chapter is to foster safe, decent and affordable housing in the commonwealth by enabling individuals to form cooperative corporations for the purpose of developing, acquiring, owning, and operating multi-family housing on a cooperative plan.

SECTION 2: APPLICATION OF CHAPTER; AMENDMENT OF ARTICLES OF INCORPORATION TO COMPLY WITH CHAPTER

Section 2. This chapter applies to all cooperative corporations organized under it. Any corporation organized under any other chapter of the General Laws may become a cooperative corporation by adopting an amendment to its articles electing to become subject to this chapter and by adopting any further amendment necessary to comply with this chapter. The amendment must be adopted and filed, and shall be effective, according to the chapter under which the corporation was organized before acceptance of this chapter.

SECTION 3: COOPERATIVE CORPORATIONS SUBJECT TO CERTAIN LAWS

Section 3. All cooperative corporations shall be subject to laws as may be enacted affecting or altering their corporate rights or duties or dissolving them.

SECTION 4: DEFINITIONS

Section 4. In this chapter, the following words shall have the following meanings:—"board", board of directors;

"by-laws", the by-laws of a cooperative corporation as they exist from time to time;

"cooperative corporation", a corporation organized or existing under this chapter;

"limited equity cooperative housing corporation", a cooperative corporation organized and operated primarily for the benefit of low and moderate income persons, and whose equity,



after allowance for maximum transfer value of its stock, is permanently dedicated to providing housing to persons of low or moderate income or to a charitable purposes;

"member", a person who holds voting stock of a cooperative corporation;

"proprietary lease", an agreement between a cooperative corporation and its stockholder for occupancy of a dwelling unit owned by the cooperative corporation;

"transfer value", the value which may be paid or received upon the sale or transfer of the stock of a cooperative corporation.

SECTION 5: APPLICATION OF LAWS; CONFLICT OF LAWS

Section 5. The provisions of chapter one hundred and fifty-six B shall be applicable to cooperative corporations, and they shall enjoy the powers and privileges, and be subject to the duties, restrictions and liabilities of other corporations, except where inconsistent with the letter and purpose of this chapter. This chapter shall take precedence in the event of any conflict with provisions of said chapter one hundred and fifty-six B, and any conflict with the provisions of section three A and section four of chapter one hundred and fifty-seven.

SECTION 6: ARTICLES OF ORGANIZATION

Section 6. Three or more persons, residents of the commonwealth, may organize a cooperative corporation by filing articles of organization with the secretary of the commonwealth. The articles must meet the requirements of chapter one hundred and fifty-six B, and, in addition, shall state:

- (1) whether transfer of its stock is restricted;
- (2) whether or not it shall be authorized to pay dividends on its stock, but no cooperative corporation may pay a dividend of more than ten per cent, noncumulative, upon its stock;
- (3) whether the transfer value of its stock is restricted.

SECTION 7: NAME

Section 7. The name of each cooperative corporation must comply with the provisions of chapter one hundred and fifty-six B and, in addition, must contain the word "cooperative".



SECTION 8: NAME; FORFEITURE; JUDICIAL ACTION

Section 8. Any person, partnership, association or corporation, domestic or foreign, except cooperative banks and corporations organized under chapter one hundred and fifty-seven, transacting business in the commonwealth under any name or title containing the word "cooperative" or any close variation, shall forfeit to the commonwealth one hundred dollars for every day such name or title is used. The forfeiture may be recovered by an information brought in the supreme judicial court or superior court by the attorney general or any other person; the court may enjoin such unlawful use and may make such other orders and decrees as justice and equity may require.

SECTION 9: POWER TO MAKE, AMEND OR REPEAL BY-LAWS

Section 9. The power to make, amend or repeal by-laws shall be reserved to the stockholders.

SECTION 10: ARTICLES OR BY-LAWS

Section 10. The articles or by-laws may provide:

- (a) for election of directors and other officials by unit or district;
- (b) for voting by stockholders on the basis of one vote per member or one vote per dwelling unit rather than one vote per share;
- (c) that any action required or permitted to be taken at a meeting of stockholders may be taken by mail ballot;
- (d) for a method of membership representation of stockholders at meetings by delegates from units or districts, provided that delegates must be proportional to the number of members in each unit district;
- (e) for redemption or recall of stock;
- (f) for termination of membership rights and privileges of a stockholder;
- (g) standards for eligibility to become a stockholder;
- (h) for the allocation of its net savings among the uses permitted in section twelve.



SECTION 11: NET SAVINGS; APPORTIONMENT

Section 11. At least once a year the board of every cooperative corporation shall, after first setting aside an adequate portion of the net savings in a reserve fund for the general operation of the business, apportion the remainder of the net savings in one or more of the following ways:

- (1) as a dividend not to exceed ten per cent, noncumulative, upon one or more classes of stock;
- (2) as an equitable distribution or refund to all patrons in proportion to their individual patronage except that (a) in the case of a subscriber patron, the distribution or refund may be credited to the subscriber's account until the subscription has been fully paid, and (b) in the case of a nonmember patron, the amount otherwise distributable may be retained by the cooperative corporation;
- (3) this section does not prevent a cooperative corporation from disposing of the net savings by reducing the cost of goods, facilities or services or by applying such net savings otherwise for the common benefit of members;
- (4) this section does not prevent a cooperative corporation from adopting a system by which the payment of net savings are deferred for a fixed period of time, nor from adopting a system in which the net savings distributed are partly in cash and partly in stock.

SECTION 12: TERMINATION OF PROPRIETARY LEASES

Section 12. A cooperative corporation may terminate all of its proprietary leases, but only by agreement of proprietary lessees holding at least 80 per cent of its stock or any larger percentage the specified in the articles or by-laws.

SECTION 13: LOANS

Section 13. Any financial institution organized under the laws of the commonwealth and supervised either by the commissioner of banks or the commissioner of insurance shall be authorized to make loans secured by a pledge of a proprietary lease and the appurtenant stock of a cooperative corporation upon the same terms and with the same limitations as loans secured by mortgages of real property.