CHAPTER 13
NONPROFIT COOPERATIVE ASSOCIATIONS

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§ 13101. Purpose of Chapter.

The purpose of this Chapter is to promote, foster and encourage the intelligent and orderly marketing of agricultural products through cooperation; and to eliminate speculation and waste; and 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. It is hereby recognized that agriculture is characterized by individual production in contrast to the group or factory system that characterizes other forms of individual production; and that the ordinary form of corporate organization permits industrial groups to combine for the purpose of group production and the ensuing group marketing their industry to the high degree of efficiency and merchandising skill evidenced in the manufacturing industries; and that the public interest urgently needs to prevent the migration from the farm in order to keep up farm production and to preserve the agricultural supply of Guam; and that the public interest demands that the farmer be encouraged to attain a superior and more direct system of marketing in the substitution of merchandising for the blind, unscientific and speculative selling of crops.

SOURCE: CC § 650.1. This Chapter was added to the Civil Code by P.L. 3-113 (8/15/56). All source references will be to P.L. 3-113 unless otherwise stated.

§ 13102. Definitions.

As used in this Chapter:

(a) Products includes horticultural, viticultural, forestry, dairy, livestock, poultry, bee and any farm products.

(b) Member includes members of associations without capital stock and holders of common stock in associations organized with shares of stock.

(c) Association means any corporation organized under this Chapter. An association will be deemed incorporated under this Chapter or organized under this Chapter and will be deemed a producer of products within the meaning of this Chapter when it is functioning under, or is subject to, the provisions of this Chapter, irrespective of whether it was originally incorporated under such provisions or was incorporated under other provisions.

SOURCE: CC § 650.2.
§ 13103. Associations Deemed Nonprofit.

Associations organized hereunder shall be deemed non-profit, inasmuch as they are not organized to make profit for themselves, as such, or for their members, as such, but only for their members as producers.

SOURCE: CC § 650.3.

§ 13104. Who may Form Association.

Three (3) or more natural persons, a majority of whom are residents of this territory, engaged in the production of products, may form an association under the provisions of this Chapter for the purpose of engaging in any activity in connection with the production, marketing or selling of the products of its members, or with the harvesting, preserving, drying, processing, canning, packing, grading, storing, handling, shipping, or utilization thereof, or the manufacturing or making of the by-products thereof; or in connection with the manufacturing, selling or supplying to its members of machinery, equipment or supplies; or in the financing of the above enumerated activities; or in any or more of the activities specified herein.

SOURCE: CC § 650.4


Each association incorporated under this Chapter may:

(a) Activities that may be Engaged in. Engage in any activity in connection with the marketing, selling, preserving, harvesting, drying, processing, manufacturing, canning, packing, grading, storing, handling or utilization of any products produced or delivered to it by its members; or the manufacturing or marketing of the by-products thereof; or any activity in connection with the purchase, hiring, or use by its members of supplies, machinery or equipment, or in any one or more of the activities specified in this section.

(b) Borrowing and Advances. Borrow without limitation as to amount of corporate indebtedness or liability and may make advances to members.

(c) Act as the Agent or representative of any member or members in any of the above-mentioned activities.

(d) Ownership and Dealing in Shares and Bonds. Purchase or otherwise acquire, hold, own, and exercise all rights of ownership in, sell,
transfer, pledge, or guarantee the payment of dividends or interest on, or the retirement or redemption of, shares of the capital stock or bonds of any corporation or association engaged in any related activity or in the warehousing or handling or marketing or packaging or manufacturing or processing or preparing for market of any of the products handled by the association.

(c) **Reserves and Investments.** Establish reserves and invest the funds thereof in bonds or in such other property as may be provided in the bylaws.

(f) **Property Ownership.** Buy, hold and exercise all privileges of ownership over such real or personal property as may be necessary or convenient for the conduct and operation of any of the business of the association, or incidental thereto.

(g) **Assessments.** Levy assessments in the manner and in the amount as may be provided in its bylaws.

(h) **Other Things Necessary, Suitable or Proper.** Do each and everything necessary, suitable or proper for the accomplishment of any one of the purposes or the attainment of any one or more of the objects herein enumerated; or conducive to or expedient for the interest or benefit of the association; and contract accordingly; and in addition 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; and, in addition, any other rights, powers and privileges granted by the laws of this territory to ordinary corporations, except such as are inconsistent with the express provisions of this Chapter, and do any such thing anywhere.

(i) **Purposes for Which Facilities may be used or Employed.** Use or employ any of its facilities for any purpose, provided the proceeds arising from such use and employment shall go to reduce the cost of operation for its members; and provided, further, that the products handled for or the services, machinery, equipment or supplies or facilities furnished to non-members shall not exceed in value the products handled for or the services, merchandise or facilities supplied to members during the same period.

**SOURCE:** CC § 650.5.

§ 13106. Admission of Members and Issuance of Stock.

(a) **Persons eligible.** Under the terms and conditions prescribed in the bylaws adopted by it, an association may admit as members or issue
common stock to only such persons as are engaged in the production of products to be handled by or through the association, or who use or employ any service or facility offered by the association on or in connection with land used for the production of products, including the lessees and tenants of land used for the production of such products and any lessors and landlords who receive as rent all or part of the crop raised on the leased premises.

(b) **Representation.** If a member of a nonstock association be other than a natural person, such member may be represented by any individual, associate, officer or manager or member thereof, duly authorized in writing.

(c) **Membership of Association.** One association organized hereunder may become a member or stockholder of any other association or associations organized hereunder.

**SOURCE:** CC § 650.6.

§ 13107. **Articles of Incorporation: Contents.**

The articles of incorporation of any such association shall show that the signers thereof are engaged in the production of *products*, as defined in this Chapter, and that they propose to incorporate an association hereunder, and shall state:

(a) **Name.** The name of the association.

(b) **Purposes.** The purposes for which it is formed.

(c) **Principal office.** The municipality where the principal office for the transaction of business of the corporation is to be located.

(d) **Directors.** The number of directors thereof, which shall not be less than three (3), and the names and addresses of the persons who are to serve as first directors; if it be desired that the first directors shall serve for terms of different length, the term for which each person so named shall serve.

(e) **Members: Voting Power and Rights.** If organized without shares of stock, whether the voting power and the property rights and interest of each member are equal or unequal; and if unequal, the general rule or rules applicable to all members by which the voting power and the property rights and interests, respectively, of each member may be and are determined and fixed.
(f) Shares: Number and Value. If organized with shares of stock, the number of shares which may be issued and if the shares are to have a par value, the par value of each share, and the aggregate par value of all shares; if the shares are to be without par value it shall be so stated.

(g) Classified Shares: Description and Statement of Number, etc.: Common Stock. If the shares are to be classified, a description of the classes of shares and a statement of the number of shares of each kind or class and the nature and extent of the preferences, rights, privileges and restrictions granted to or imposed upon the holders of the respective classes of stock; and except as to the matters and things so stated no distinction shall exist between said classes of stock or the holders thereof. One class of stock shall always be known as common stock and voting power may be restricted to holders of common stock.

SOURCE: CC § 650.7.


Each association shall within thirty (30) days after its incorporation, adopt for its government and management, a code of bylaws, not inconsistent with this Chapter. The vote or written assent of shareholders or members holding at least a majority of the voting power is necessary to adopt such bylaws and is effectual to repeal or amend any bylaws, or to adopt additional bylaws. The power to repeal and amend the bylaws, and adopt new bylaws, may, by a similar vote, or similar written assent, be delegated to the board of directors, which authority may, by a similar vote, or similar written assent, be revoked. Each association, under its bylaws, may provide for any or all of the following matters:

(a) Meetings. The time, place and manner of calling and conducting its meetings. Meetings of members or stockholders shall be held at the place as provided in the bylaws; and, if no provision be made, then in the municipality where the principal place of business is located at a place designated by the board of directors. Meetings of the board of directors may be held at any place within or without the territory fixed by a quorum thereof unless otherwise provided in the articles of incorporation or bylaws.

(b) Quorum of Stockholders or Members. The number of stockholders or members constituting a quorum.
(c) **The right of members** or stockholders to cumulate their votes and the prohibition, if desired, or cumulative voting.

(d) **Quorum of directors.** The number of directors constituting a quorum.

(e) **Number, Qualifications, etc., of Directors: Change of Number.** The number of directors and the qualifications, compensation and duties and term of office of directors and officers and the time of their election. The number of directors may be changed by a bylaw duly adopted by the shareholders or members.

(f) **Penalties.** Penalties for violations of the bylaws.

(g) **Fees.** 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) **Payments, Charges and Marketing Contract.** The amount which each member or stockholder 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 or stockholder 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 or stockholders which every member or stockholder may be required to sign.

(i) **Dividends.** The amount of any dividends which may be declared on the stock or membership capital, which dividends shall not exceed eight percent (8%) per annum and which dividends shall be in the nature of interest and shall not affect the nonprofit character of any association organized hereunder.

(j) **Membership, etc.** The number and qualifications of members or stockholders 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 interest 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 the death or withdrawal of a member or upon the expulsion of a member or forfeiture of his membership, or at the option of the association, the purchase at a price fixed by conclusive appraisal by the board of directors; and the conditions and terms for the repurchase by the corporation from its stockholders of their stock upon their disqualification as stockholders. In case of the expulsion of a member, and where the bylaws do not provide any procedure or penalty, the board of directors shall equitably and conclusively appraise his property interest in the association and shall fix the amount thereof in money, which shall be paid to him within one (1) year after such expulsion.

SOURCE: CC § 650.8.


The affairs of the association shall be managed by a board of not less than three (3) directors, elected by the members or stockholders.

SOURCE: CC § 650.9.


The bylaws may provide that:

(a) **Elections of Directors From Districts.** The area in which the association has members shall be divided into districts and that directors shall be elected from the several districts. In any such case, the bylaws shall specify the number of directors to be elected by each district, the manner and method of reapportioning the directors, and of redistricting the area covered by the association.

(b) **Primary Elections for Directors.** Primary elections shall be held to nominate directors. Where the bylaws provide that the territory in which the association has members shall be divided into districts, the bylaws may also provide that the results of the primary elections in the various districts shall be final and must be ratified at the annual meeting of the association.

(c) **Election of Directors by District Representatives or Advisers.** The area in which the association has members shall be divided into districts, and that the directors shall be elected by representatives or advisers, who themselves have been elected by the members or stockholders from the several districts. In any such case, the bylaws shall specify the number of
representatives or advisers to be elected by each district, the manner and method of reapportioning the representatives or advisers and of redistricting the area covered by the association.

(d) Nomination of Directors by Public Official, Commission or Other Directors. One (1) or more directors may be chosen by any public official or commission or by the other directors selected by the members. Such director shall represent primarily the interest of the general public in such associations. The directors so chosen shall have the same powers and rights as other directors. Such directors shall not number more than one-fifth (1/5) of the entire number of directors.

(e) Executive Committee. The bylaws may provide for an executive committee and may allot to such committee all the functions and powers of the board of directors, subject to the general direction and control of the board.

SOURCE: CC § 650.10.

§ 13111. Compensation of Officers.

An association may provide a fair remuneration for the time actually spent by its officers and directors in its service and for the service of the members of its executive committee.

SOURCE: CC § 650.11.

§ 13112. Filling Vacancy in 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, provided that when the bylaws provide for an election of directors by districts, the vacancy shall be filled by the election of a director from the district in which the vacancy occurs; or the board of directors may call a special meeting of the members or stockholders in that district to fill the vacancy.

SOURCE: CC § 650.12.

§ 13113. Organization of Directors: Secretary and Treasurer.

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 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. The treasurer may be a bank
or any depository and as such, shall not be considered as an officer, but as a function of the board of directors. In such case, the secretary shall perform the usual accounting duties of the treasurer, excepting that the funds shall be deposited only as and where authorized by the board of directors.

**SOURCE:** CC § 650.13.

§ 13114. Membership and Stock.

(a) **Issuance of Membership or Stock Certificate. Payment.**

When a member of an association established without shares of stock has paid his membership fee in full, he shall receive a certificate of membership.

No association shall issue a certificate for stock to a member until it has been fully paid for. The 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.

(b) **Limitation Upon Stock Ownership.** An association, in its bylaws, may limit the amount of common stock which one member may own.

(c) **Transfer of Stock or Certificates.** The bylaws shall prohibit the transfer of the common stock or membership certificates of the associations to persons not qualified to be shareholders or members as specified in this Chapter; and such restrictions must be printed upon every certificate of stock or membership subject thereto.

(d) **Buying in stock.** The association may, at any time, as specified in the bylaws, except when the debts of the association exceed fifty percent (50%) 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 (1) year thereafter.

(e) **Liability for Association Debts.** No member or stockholder shall be liable for the debts of the association to an amount exceeding the sum remaining unpaid balance of any promissory note given in payment thereof.

**SOURCE:** CC § 650.14.

§ 13115. Removal of Officers.

(a) Any member 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 percent (5%) of the members, 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 end, by a vote of a majority of the members, the association may remove the officer or director and fill the vacancy. The director or officer, 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.

(b) In case the bylaws provide for election of directors by districts with primary elections in each district, then the petition for removal of a director must be signed by twenty percent (20%) of the members residing in the district from which he was elected. The board of directors must call a special meeting of the members residing in that district to consider the removal of the director; and by a vote of the majority of the members in that district, the director in question shall be removed from office.

SOURCE: CC § 650.15.

§ 13116. Marketing of Products.

The association and its members may make and execute marketing contracts, requiring the members to sell, for any period of time, not over fifteen (15) years, all or any specified part of their products or specified commodities exclusively to or through the association, or any facilities created by 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 specified time if expressly and definitely agreed in the said 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 interest on preferred stock, not exceeding eight percent (8%) per annum, and reserves for retiring the stock, if any; and other proper reserves; and interest not exceeding eight percent (8%) per annum on common stock.

SOURCE: CC § 650.16.

§ 13117. Marketing Contracts: Expenses of Suit, etc.
The bylaws or the marketing contract may fix, as liquidated damages, specific sums to be paid by the member or stockholder to the association upon the breach by him of any provisions of the marketing contract regarding the sale or delivery or withholding of products; and may further provide that the member will pay all costs, premiums for bonds, expenses and fees, in case any action is brought upon the contract by the association; and any such provisions shall be valid and enforceable in the courts of this territory; and such clauses providing for liquidated damages shall be enforceable as such and shall not be regarded as penalties.

SOURCE: CC § 650.17.

§ 13118. Marketing Contracts: Injunctions; Specific Performance.

In the event of any such breach or threatened breach of such marketing contract by a member, the association shall be entitled to an injunction to prevent the further breach of the contract and to a decree of specific performance thereof. Pending the adjudication of such an action and upon filing a verified complaint showing the breach or threatened breach, and upon filing a sufficient bond, the association shall be entitled to a temporary restraining order and preliminary injunction against the member.

SOURCE: CC § 650.18.

§ 13119. Marketing Contracts: Ability to Control Delivery; Remedies.

In any action upon such 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 execution by the landowner or landlord or lessor, of such a marketing agreement; and in such actions, the foregoing remedies for nondelivery or breach shall lie and be enforceable against such landowner, landlord or lessor.

SOURCE: CC § 650.19.

§ 13120. Payment for Stock or Property by Transfer of Preferred Stock.

Whenever an association, organized hereunder with preferred shares of stock, shall purchase the stock or any property, or interest in any property of any person, it may discharge the obligations so incurred, wholly or in part, by exchanging for the acquired interest, shares of its preferred 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 or interest purchased shall be equivalent to payment in cash for the shares of stock issued.

SOURCE: CC § 650.20.


Any provisions of law which are in conflict with this Chapter shall not be construed as applying to the associations herein provided for.

Application of Exemptions. 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 such products delivered by its farmer members in the possession or under the control of the association.

SOURCE: CC § 650.21.

§ 13122. Use of Word Cooperative.

No person, firm, corporation or association, hereafter organized or doing business in this territory, shall be entitled to use the word cooperative as part of its corporate name or other business name or title for producers' cooperative marketing activities, unless it has complied with the provisions of this Chapter.

SOURCE: CC § 650.22.

§ 13123. Organization, Operation, Ownership, of Other Corporations.

(a) An association may organize, form, operate, own, control, have an interest in, own stock of, or be a member of any other corporation or corporations, with or without capital stock, and engaged in preserving, drying, processing, canning, packing, storing, handling, shipping, utilizing, manufacturing, marketing or selling of the products handled by the association, or the by-products thereof.

(b) Warehousing Corporations: Receipts: Issuance and Adequacy as Collateral: Challenge or Discrimination Because of Ownership or Control. If such corporations are warehousing corporations, they may issue legal warehouse receipts to the association against the commodities delivered by it, or to any other person, and such legal warehouse receipts shall be considered as adequate collateral to the extent of the usual and current value of the commodity represented thereby. In case such warehouse is licensed or licensed and bonded under the laws of this territory, its warehouse receipt delivered to the association on commodities of the association or its
members, or delivered by the association or its members, shall not be challenged or discriminated against because of ownership or control, wholly or in part, by the association.

(c) **Merger or Consolidation of Corporations.** Any two or more corporations organized hereunder may be merged into one such constituent corporation or consolidated into a new corporation, such merger or consolidation to be made in the manner prescribed by the general laws of the territory covering domestic corporations.

**SOURCE:** CC § 650.23.

§ 13124. Contracts: Power; Joinder of Associations in use of Same Personnel, etc.

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 or other corporations, association or associations, formed in this territory, for the cooperative and more economical carrying on of its business or any part or parts thereof. Any two or more associations 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.

**SOURCE:** CC § 650.24.


Any corporation or association organized under previously existing statutes for the purpose of cooperatively marketing products as defined in this Chapter shall be deemed organized and existing under and by virtue of the terms of this Chapter, and any of the restrictions and benefits thereof shall apply in all of their terms to such corporation.

**SOURCE:** CC § 650.25.

§ 13126. Amendment of Articles to Bring Corporation Under This Chapter.

Any corporation organized or existing pursuant to the General Corporation Law [part 1 of this Title], may be brought under the provisions of this Chapter by amending its articles of incorporation in the manner
prescribed by the General Corporation Law to conform to the provisions of this Chapter, and whenever any corporation shall have amended its articles of incorporation to conform to the provisions of this Chapter, it shall be deemed to be then organized and existing under and entitled to the benefit of and subject to the provisions of this Chapter for all purposes and as fully as though originally organized hereunder. Articles of incorporation shall be deemed to conform to the provisions of this Chapter within the meaning of the foregoing whenever (a) it is provided or declared therein, in substance, regardless of form that the corporation is organized and exists as a nonprofit cooperative corporation for the purposes provided for in or permitted by the provisions of this Chapter, or one or more of said purposes; or (b) it clearly appears therefrom that the corporation desires to be subject to, and to be organized, exist and function under and pursuant to the provisions of this Chapter. Whenever amended articles conform, as aforesaid, provisions therein that appeared in the original articles or some previous amended articles, shall be deemed ineffective if and to the extent that same are inapplicable to or inconsistent with the provisions of this Chapter.

Construction and Application of Section. The provisions of this section shall be construed and applied as retrospective as well as prospective, and may be availed of by a corporation regardless of time of incorporation, whether prior or subsequent to the adoption of this section, and all amendments made prior to the adoption of this section shall be effective and valid to the same extent as though made subsequent to the adoption of this section.


§ 13127. Association not Deemed Monopoly: Contracts Legal.

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 this territory; and the marketing contracts and agreements between the association and its members and any agreements authorized in this Title shall be considered not to be illegal nor in restraint of trade nor contrary to the provisions of any statute enacted against pooling or combinations.

SOURCE: CC § 650.27.

§ 13128. Laws Applicable to Associations.
The general corporation laws of this territory, and all powers and rights thereunder, shall apply to the associations organized hereunder, except where such provisions are in conflict with or inconsistent with the express provisions of this Chapter.

SOURCE: CC § 650.28.

§ 13129. Annual Report to Members.

The board of directors of every association organized hereunder shall cause to be sent to the members thereof not later than one hundred twenty (120) days after the close of the fiscal or calendar year an annual report of the operations of the association, unless such report be expressly dispensed within the bylaws. Such annual report shall include a balance sheet as of such closing date. Such financial statement shall be prepared from the books and shall be in accordance therewith and shall be prepared in a form sanctioned by sound accounting practice for the association or approved by a duly certified public accountant.

SOURCE: CC § 650.29.

§ 13130. Specific Enforcement of Contract with Member or Stockholder.

A contract entered into by a member or stockholder of a nonprofit cooperative association or corporation, providing for the delivery to such association or corporation of products produced or acquired by the member or stockholder, may be specifically enforced by the association or corporation to secure the delivery to it of such products, any provisions contained in this Code [Guam Code Annotated] to the contrary notwithstanding.

SOURCE: CC § 650.30.

§ 13131. Associations not Subject to Business Privilege Tax.

Associations as defined in this Chapter shall not be subject to the provisions of 11 GCA Chapter 26, Article 2, the Business Privilege Tax Law and the income of said association shall not be taxable under the laws of the Territory of Guam.


Agencies of the government of Guam may make equipment and other facilities including the public market available to associations without charge or upon such terms as may be agreed upon between the association and the government agency.

**SOURCE:** CC § 650.32.

§ 13133. Loan for Mixed-Feed Mill.

The Governor of Guam is hereby authorized to loan to a qualified farmers nonprofit cooperative association or corporation funds to construct and operate a mixed-feed mill, such loan to be under such terms and conditions as are established by the Governor of Guam, except that in no case shall the interest rate exceed two percent (2%) per annum simple interest. There is authorized, to be appropriated to carry out the provisions of this section, not to exceed one hundred thousand dollars ($100,000.00).

**SOURCE:** CC § 650.33 added by P.L. 9-21 (3/2/67).