

The Commonwealth of Massachusetts

EXECUTIVE DEPARTMENT,
STATE HOUSE, BOSTON, April 21, 1943.

To the Honorable Senate and House of Representatives:

I am returning to you herewith without my approval, "An Act partially exempting sales of shares and securities of certain cooperative corporations from the sale of securities law, so called," being House Bill 1498.

This bill exempts any sale of shares or securities of any corporation incorporated under chapter 157, which relates to cooperative corporations. It changes the present law by adding to section 3 of chapter 110A a new section (k) which serves to exempt the sale of shares or securities of any corporation incorporated under said chapter 157.

We understand that at the Legislative hearing in connection with this bill the proponents of the bill sought to have the law changed in order to exempt from the provisions of chapter 110A the sale of shares or securities of cooperative corporations, known as consumer co-operatives.

Under D. P. U. 4964, dated April 24, 1935, the Commission of the Department issued the following order:

“Ordered, That, until otherwise ordered, the Commission, in accordance with the provisions of section 3 (j) of chapter 110A of the General Laws, Tercentenary Edition, hereby exempts from the provisions of said chapter, the original sale of the capital stock of co-operative corporations organized in accordance with chapter 157 of the General Laws, Tercentenary Edition, for the primary purpose of maintaining markets for the sale of agricultural products, so long as the amount paid or subscribed to be paid into the treasury of any such corporation in payment for capital stock of all classes does not exceed \$50,000,

and provided that (exclusive of expenses of organization of such corporation actually incurred) no expenditures, except for stamp taxes, printing and postage, be made by or on behalf of such corporations for the promotion or sale of its capital stock under the exemption hereby ordered, and further provided that no subscriptions to such stock shall be taken pursuant to any instalment or partial payment plan unless and until such plan shall have been approved in the manner provided in section 11 of said chapter 110A."

Subsequent thereto, in D. P. U. 4964-A, under date of July 19, 1939, a petition was denied wherein the Department was requested to amend an order of March 30, 1934 (D. P. U. 4804). The Department, in D. P. U. 4804, among other things, stated the following:

"We are not disposed to enlarge these exemptions, as we are of the opinion that it would open the door to the general sale of securities among people induced to purchase under assurances that they would thereby obtain their necessities much cheaper than otherwise, and would thus open the field to unscrupulous people to exploit the sale of stock with no honest intention of maintaining such co-operative enterprise.

The ruling now made is not to be interpreted as lack of recognition of the value of the consumer co-operative idea and to avoid such an interpretation the request of the petitioners has been carefully considered before arriving at this decision."

It is apparent from all of the foregoing that the sponsors of this bill are endeavoring to accomplish by legislation what they have failed to accomplish in proceedings before this Department in the past, and furthermore, in endeavoring to accomplish by legislation the end sought they are additionally securing exemptions of all forms of cooperative corporations, and thus permitting the indiscriminate sale of shares and securities in unlimited amounts to the residents of Massachusetts.

Instances in the past wherein exemptions of this nature from the effect of the sale of securities act have been granted are very few. On March 30, 1934, upon the petition of certain citizens of New Bedford to secure exemptions from the Act for a community undertaking dealing in petroleum products, an order was made exempting such enterprises where the number of stockholders

was limited to 100 and the investment to \$5,000. The undertaking is referred to in the order as a very small affair. The purpose of the order was to limit the exemption to small cooperative organizations, and the decision so recites. Again in D. P. U. 4828, the Merritt Shoe Company of Athol was granted an exemption in the sale of subscription trust certificates among the citizens and businessmen of Athol to the amount of \$25,000, to be wholly used in the reestablishment of a shoe factory to save to the town an industry which furnished a payroll of \$200,000 annually, and as previously pointed out in D. P. U. 4964, exemption was limited to cooperative corporations organized for the primary purpose of maintaining markets for the sale of agricultural products having a capital stock not in excess of \$50,000.

From all of the above it can be seen that the safer course in protecting the residents of Massachusetts in the purchase of shares and securities of cooperative corporations is that an exemption be given in specific instances and as the case arises and on the merits rather than a wholesale exemption accorded to permit of little or no regulation. While the intent of the proponents of the legislation is probably proper and no great harm might come of exempting certain small cooperative corporations from the sale of securities law, the result of their efforts in securing such legislation would undoubtedly be an undue and tremendous hardship in the vast number of cases which would be bound to arise if all cooperative corporations were made exempt from this law such as this bill would accomplish.

LEVERETT SALTONSTALL,
Governor.

The first part of the report is devoted to a general
 description of the country and its resources. It
 is followed by a detailed account of the
 various industries and occupations of the
 people. The third part of the report
 contains a list of the principal towns and
 villages, with a description of each. The
 fourth part of the report is devoted to a
 description of the climate and the
 various diseases which are prevalent in
 the country. The fifth part of the report
 contains a list of the principal rivers and
 lakes, with a description of each. The
 sixth part of the report is devoted to a
 description of the various minerals and
 fossils which are found in the country.

The seventh part of the report is devoted to a
 description of the various animals and
 plants which are found in the country. The
 eighth part of the report is devoted to a
 description of the various customs and
 manners of the people. The ninth part of
 the report is devoted to a description of
 the various laws and regulations which
 are in force in the country. The tenth
 part of the report is devoted to a
 description of the various public works
 which have been carried out in the
 country. The eleventh part of the report
 is devoted to a description of the
 various public institutions which are
 in existence in the country. The
 twelfth part of the report is devoted to a
 description of the various public buildings
 which are in existence in the country.