Cooperative Management and Marketing of Forest Products for Farm Woodlots
by
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Tables and Figures

Table 1 --- Composition of the forest

Figure 1 --- Analysis of utilization

Figures giving information concerning woodlands of Oregon and Washington are in the appendix.
Cooperative Management and Marketing of Forest Products for Farm Woodlots

Introduction

We are just beginning to recognize and realize the value of farm woodlots to our social and economic life. In realizing this we find that the woodlot owner is encountering many difficulties and problems in managing his woodlot on a paying basis. Forest schools and trained foresters of the Eastern states, where woodlots are becoming especially important, have given much of their time in recent years through cooperation and extension work to a study of these problems and possible solutions. Though the Pacific Coast region has considerable area in farm woodlands, 16 percent of the total farm land area in Washington and 19 percent in Oregon (see charts in appendix), similar interest has not been shown in these states towards improving the farm woodlands. Therefore it is my purpose to write a discussion paper reviewing the problems encountered and studied in the East, and a discussion of the Otsego Forest Products Cooperative Association of Cooperstown, New York as an example of one possible solution.

Forests and forest lands have always been an interesting and important resource to us. They have not only been valuable for the timber supply, but also for grazing,
mining, water supply, wildlife and furs, and the now rapidly growing recreational value. However, all these values were not realized during early American history, and conservation was practically unheard of. If we could attain a high altitude, look down upon the whole United States, and view the exploitation of our forests from the first settlers up to the present time, we would see a gigantic "tidal wave" beginning on the Atlantic seaboard and progressing steadily to the Pacific Coast where the wave has reached greatest importance. But, going back to the Atlantic Coast we find the wave again building up, in the form of woodlots rather than continuous forests. Due to unwise use of the virgin forests of the East, the farmers of this region are far removed from the remaining supply of virgin timber, the value of their agriculture land is decreasing, they own other land always classified as forest land and now covered with second and third growth timber, and they use about 2000 feet of lumber a year for building construction and repair. Besides this they average 52 fence posts and about 10 cords of fuelwood annually. (1:39) Due to these conditions, many farmers are finding their woodlots to be a real asset, and under careful management, they can compete favorably with lumber from the South and the Pacific Coast. However, they have run into many problems in management and marketing, which will be discussed later, that have greatly reduced the possible production of the
woodlot and the income from them.

Extent and Value of Farm Woodlands

If for no other reason, farm woodlands should be important to the national economic structure due to the fact that they contain about one third of the forest land of the United States or about 185,000,000 acres according to the 1935 census. Of this, 89 percent or about 133,000,000 acres is east of the Rocky Mountains. The woodlots average 27 acres per farm, and forest products taken from them and reported for the 1930 census had a total value of $242,042,245. Another fact of great importance is that more than one half the entire hardwood forest lands of the United States are on farms. (1:9) and (8:2) Hardwoods have a high stumpage value due to their importance as specialty woods. These forest lands, on an average, are only producing from one third to one half the wood they could grow under proper protection and management. This gives some idea of the value of farm woodlands, but fails to consider aesthetic value and value as game refuges and hunting areas. These values cannot be measured easily but are becoming more and more important, especially in eastern states with high population density. (2:3)

Farm woodlots of the Northeast, due to a number of factors, are especially important and have great possibilities for future development. Some of these factors
are nearness to population and wood consuming centers, easy accessibility and low transportation costs, advantage of integration with agriculture and other phases of land use, and protection from fire, insects, and disease is made easy by permanent roads and due to the tracts being small and isolated from each other. (1:9-10) However, with all these advantages, the woodlots of the Northeast are badly depleted and in need of careful silvicultural treatment to rebuild them.

The history of Tioga County, New York is typical of the use that has been made of the land and forests of the Northeast. The first sawmill came to this county in 1792 and made use of waterpower to run the mill and also to market the products. There were large stands of white pine at that time, and it was the chief tree utilized. Numerous fences of white pine stumps still remain as evidence of the extensive forests. (5:3) As fast as the land could be cleared, it was put to agricultural use, and the forests were practically forgotten. Agricultural industries finally became crowded while urban industries were growing rapidly. This resulted in a migration of the farmers' sons to the cities and threw farms upon the market for sale. At this time the scarcity and deterioration of farm labor was given as one of the chief causes of depreciation of farm values. The fathers' then followed their sons to the cities and placed tenants on the farms. In some cases the land was abandoned, and the
rest was farmed destructively. Soil was not replenished or protected from erosion, no effort was made to protect the woodlot or use it wisely, and in many cases the timber was taken to a saw mill or sold to a portable mill and hauled away. Eventually, only deformed, unmerchantable or undesirable trees remained in the woodlots. (5:3-6)
The picture today shows that in the seven Northeastern States, from 38 percent to 78 percent of the land area is forested with more being constantly added through farm abandonment. Farm abandonment in New York State has averaged over 100,000 acres per year for the last 50 years. (1:11) Such instability of land ownership endangers the community life and has been the reason for increased pressure for public ownership of forest land during late years. This widespread depletion and abandonment of farm land has been partly due to the shifting and decline in activity in the forest industries. Many farmers had learned to depend considerably upon the woodlot as a source of labor and income. However, as other woodlots were denuded and forests disappeared, the industries moved on to new supplies and left the woodlot owner with a greatly decreased market. This brings us to a consideration of the problems that have caused the woodlots to fail.

Silvicultural Management Problems

A discussion of the Tioga County Cooperative Forest
Unit will give the clearest idea of the problems encountered. (5) The boundary of this unit includes 106,000 acres of land of which 32,000 acres are in farm woodlots. The average woodlot contains approximately 35 acres and has 1000 or more board feet per acre. All areas are not as well stocked as is indicated here; in Broome County the stands are mostly second growth that look good from a distance but in reality are composed of saplings and poles of rather inferior species. (3:227) The Tioga Unit lies in the Allegheny hardwoods-pine-hemlock region and contains representatives of nearly all of the hardwoods found in both the spruce and northern hardwoods region and in the oak region, with a larger representation of such species as black cherry, black walnut, and cucumber magnolia. The stands of the unit are mostly in the uneven aged class. Some of the disadvantages of these uneven-aged forests of many species are:

1. they are difficult to manage
2. reproduction may be prolonged
3. the stand is not uniform
4. the form of the trees may not be good, because of the extreme competition between some, while others may have an over-abundance of room for growth. (5:24) Besides these disadvantages, the stands are often understocked due to catastrophies suffered during the attenuated life of the stand. Such a forest is a difficult task for even
a trained forester to manage properly, and when the farmer tries to do it he makes many mistakes and loses money. He doesn't understand thoroughly the value of thinnings and improvement cuttings, what trees to take out and which to leave, how much to open the crown, and how to secure natural reproduction along with the many other problems to be considered. The difficulty of managing the woodlots has resulted in decreasing yields and poor quality. The decreasing yields and poor quality of the woodlots has been hastened by the dairy industry which is the principal industry in Tioga County, as is the case in many counties of New York. The farmers utilize their lands in any possible manner that will benefit the cattle, and in so doing damage the woodlot and add to its already intricate qualities. The cattle do receive benefit from woodlots as a protection from the hot sun and flies but the food value received is negligible. Livestock hinder reproduction a great deal and should be kept out at least during the spring months. (5:81-83)

The objective of silvicultural management is to develop the forests to a normal condition and then regulate the cut so as to maintain the forest on a sustained yield basis. Two controlling factors are recognized when considering silvicultural work, viz., the physical condition of the stand, and the economic factors which govern the amount of practical work which may be carried on to improve
that condition. (5:27) These factors must be balanced so as to obtain a maximum amount of improvement with a minimum cash outlay. Wise use of the axe is the silviculturists cheapest and best tool; and when the farmer can find a market for poles, posts, and cordwood, he may actually profit from improvement cuttings. Careful marking of the trees is important as it determines the future character of the stand.

To add to the management problem the woodlot owner has marketing difficulties that cause the loss of considerable money. The farmer doesn't understand log rules in most cases and gets poor measurement from crafty, portable mill owners. When the log scale is made on the basis of the Doyle rule, as it often is, the farmer loses 20 to 30 percent if the trees are all small, 28 inches D.B.H. or under. The portable mills are a problem themselves. The equipment is inefficient and produces low grade lumber from trees that are capable of producing high grade material. The mill owner pays for what he saws from the logs rather than what the logs are worth. Transportation from the woodlots of this region is simple, and logs marketed at permanent mills would bring a much better price than they now do in the woods. However, woodlots average about 35 acres in size and do not produce enough logs at any one time to make up a car load. Most of the woodlots are of such a nature that they yield best through integrated use, and this isn't possible when using port-
able mills as a market source.

The problems of utilization are the last important division. The lumber must find a home market as it isn't produced in large enough quantities to interest outside markets. The only integration of use takes place on the farm in the form of posts, poles, and fuel. The excessive waste that takes place in conversion is unnecessary. A large share of this can be charged to the portable mill operators. It is usually necessary to sell an entire woodlot in order to get an operator to take any at all. This results in many trees being cut before maturity and doesn't leave desirable trees for a second crop.

Cooperative Marketing and Management as a Possible Solution

In an effort to solve the problems of the farm woodlots, cooperative organizations have been suggested. Cooperative marketing and management holds many possibilities for improvement of the farm woodlots and increased income to the owners. To be successful, the plan must be operated by trained foresters and experienced businessmen. However, the controlling element of the plan is that the woodlots must be placed on a sustained yield basis.

"In a forestry cooperative, forest output must be oriented from the point of view of the maintenance of the natural resource, rather than from that of maximum immediate profits from the conversion process." (1:63) If this is
done, the organization may be considered as permanent and thus be justified in investing considerable money in efficient personnel and milling equipment. Through this organization the farmers may expect to take and fill large contracts for certain timber items which are outside the possibilities of the small lumberman; to receive an increased price by giving the consumer, a higher quality product, more prompt delivery, more liberal credit terms; and provide a market for material now practically unsalable. (4) It is evident that the income from woodlots means a lot to the farmer after reading testimonials such as the following one from an Ohio farmer: "He said that he used the woods to fall back on when times became hard, and commented further: 'Money from the sale of timber has helped to pay for the farm, take care of taxes, and assist in giving the children a good education, and in addition has furnished lumber, posts, and fuel for the farm'."

(9:1) Many statements such as this are made, but these same farmers could improve their woodlots considerably, and others that have woodlots that should pay have not been able to make them do so.

Correlated with the benefits to be gained by the owners are many social and economic advantages to the community to be derived from improved status of the woodlots. There will be an increase in the opportunity for profitable farming. Many abandoned farms will be reclaim-
ed and the immediate unemployment situation relieved considerably. Stabilization of land ownership will result, and thus the need for public acquisition of forest and submarginal farm land will be minimized. Solving the problem of forest utilization will make a program of land classification and readjustment possible without throwing men out of employment and creating new problems in providing for their resettlement. Sustained yield will stabilize industry and eliminate the major weakness of the portable mill system, that of wide and frequent fluctuations depending upon the markets for only a few forest products. Besides these advantages, many indirect benefits should be mentioned. "Good forests and stable industries mean a broadened and more permanent base for taxation and a reduced burden of public relief in the communities concerned." (1:16) Not only this, but the woodlots will be protected and developed for their aesthetic qualities.

The cooperative plan demands complete cooperation of the woodlot owners within a definite area. Also, there must be good transportation facilities and not too much competition from large lumbering companies operating on extensive, virgin forests. These conditions exist in the Northeastern states, but not on the Pacific Coast.

Otsego Forest Products
Cooperative Association

The Northeastern Forest Experiment Station undertook
the task of setting up a cooperative organization for cooperative management of an area adjacent to Cooperstown, New York. There have been no previous systems set up in this country, so that it was necessary to make local studies concerning areas, forest types, character and distribution, and composition by species and by age and diameter classes. The area must include enough forest land to provide sufficient forest products for uninterrupted operation without undue transportation costs. It is also necessary to consider that all woodlot owners in a given area will not choose to join the cooperative. A variety of forest types may be expected as each woodlot has received different care and management. Though such a situation will require much more study to determine the proper management program for each woodlot, it is desirable from the standpoint that there will be a large variety of products and no one market will be flooded. It is unnecessary to set definite boundaries as cost of transportation will limit this, but a compact unit is desirable for efficient woods operation and forest management. (1:18-19)

The Otsego Unit includes an area of about 700 square miles within a radius of 15 miles from Cooperstown, New York. The Unit lies on the northern rim of the Allegheny plateau at the headwaters of the Susquehanna River. The topography is relatively flat and rolling
with general elevations from 1200 feet to 2200 feet above sea level. The area has a mean annual precipitation of about 40.94 inches which is readily absorbed by the gravelly, sandy, or clay loam soils. Extended dry periods are not frequent though summer temperatures are moderately high. Winter temperatures are below freezing and an average snowfall of 70.4 inches occurs.

The land is mostly privately owned, and about 83 percent of the area is in farms. The Unit is made up of about 3000 farms averaging 121 acres in size. The Unit is surrounded by a number of large estates with a total area of some 7000 acres. These estates have frequently been under the direction of trained foresters and are in better condition than the forests of the Unit. Agriculture and recreation have been the chief concern of these estates with the forests being selectively cut.

About 6.5 percent of the land of the Unit is in swamp or abandoned farm land which has reverted to brush. Under proper management and reforestation this land can again be put into production. Agricultural uses take up 62 percent of the area, forests occupy 28 percent, and the remaining 3.5 percent is taken up by roads, lakes, town sites, and the like.

The forest lands of this Unit lie entirely in the Allegheny hardwood-hemlock forest region. Pine and hemlock originally dominated the forests, but these species were cut heavily during the early development and natural regen-
eration has been predominately hardwood. The table below taken from the following reference, (1:29), shows the composition of the forests.

Table 1
Composition of the Forest
Cooperstown Forest Unit, Otsego County, N. Y.

<table>
<thead>
<tr>
<th>Species</th>
<th>Percentage of Basal Area in trees over 5 in. D.B.H.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beech</td>
<td>27.6</td>
</tr>
<tr>
<td>Sugar Maple</td>
<td>23.4</td>
</tr>
<tr>
<td>Basswood</td>
<td>6.4</td>
</tr>
<tr>
<td>Red Maple</td>
<td>5.5</td>
</tr>
<tr>
<td>Red Oak</td>
<td>4.2</td>
</tr>
<tr>
<td>Yellow Birch</td>
<td>3.9</td>
</tr>
<tr>
<td>White Ash</td>
<td>3.7</td>
</tr>
<tr>
<td>Paper Birch</td>
<td>1.0</td>
</tr>
<tr>
<td>Black Cherry</td>
<td>0.7</td>
</tr>
<tr>
<td>Other hardwoods</td>
<td>5.2</td>
</tr>
<tr>
<td><strong>Total hardwoods</strong></td>
<td><strong>81.6</strong></td>
</tr>
<tr>
<td>Hemlock</td>
<td>13.4</td>
</tr>
<tr>
<td>Northern White Pine</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Total softwoods</strong></td>
<td><strong>18.4</strong></td>
</tr>
</tbody>
</table>

It is evident that a large percent of the woodlots are composed of rather inferior species, and therefore need a program aimed to improve them. Also about one-fifth of the forest land is classed as unmerchantable because the trees are too small or scattered.
The silvicultural characteristics and problems of this forest Unit are much the same as those of the Tioga County Unit. For a detailed report of studies made of this Unit see "Silvicultural Considerations in the Management of the Tioga County Cooperative Forest Unit" by James E. Phillips.

Organization of the Cooperative Association

In setting up a cooperative for the Otsego Unit, the Northeastern Forest Experiment Station found that a form of organization applicable to local conditions of forest ownership must be evolved, a system of forest management must be developed that will enable the maltreated growing stock to recover from more than 100 years of exploitation, so as to realize the growth potentialities of the soil, and a utilization system must be built up so that the forest products of the Unit may readily find markets.

The organization must group together enough individual farm woodlots so that an effective system of sustained yield forest management and utilization can be applied. Besides this the organization must be able to fix responsibilities, be flexible and efficient in operation, and at the same time be under ultimate control of the forest owners. If control is to be in the hands of forest owners, membership requirements must admit farmers without too much cash investment. The cooperative is not a bus-
iness venture designed to give profits to invested capital but rather to give service and benefits to the participants. Certain basic principles are recognized that all cooperative associations must conform to if they are to be successful, "(1) Democracy of control—each member shall have one vote and no more. (2) Limited interest on capital—capital invested in the society, if it receives interest, shall receive no more than a fixed percentage which shall be no more than the minimum prevalent rate. (3) Savings returns—if a surplus saving ('profit') accrues between the net cost and distribution price of commodities and services after meeting all expenses, paying interest (wages to capital) and setting aside reserve and other funds, the net surplus-saving shall be used for the good of the members, for beneficent social purposes, or shall be returned to the patrons as savings returns ('dividends') in proportion to their patronage" (1:44). In reviewing the By-Laws of the Association, it will be seen that it does meet these requirements. It also is necessary that the organization be in accord with the laws of the State.

The Otsego Forest Products Cooperative Association, Incorporated was drawn up and issued a corporate seal pursuant to Article 8 of the Cooperative Corporation Law of the State of New York. The principal office and place of business is in Cooperstown, New York. According to the By-Laws the Board of Directors consists of five members
who must be members of the Association and elected by the stockholders. In order to make the Board a continuous body, one director is elected for one year, two directors for two years, and two directors for three years at the first election. After the first election, each director is elected for three years. The Directors must be nominated by a written petition signed by at least ten members. After election the Directors elect by ballot, from among themselves, a president, vice-president, secretary, and treasurer. In case of vacancies the Directors elect someone to fill the unexpired term until the next meeting of the members.

The Board holds regular meetings on the first Thursday of February, May, August, and November, of each year. Special meetings may be called at any time by the President or by any two of the Directors. In all meetings, a majority of the Board constitutes a quorum, but no measure can become effective unless a majority of all members of the Board vote in favor.

The President, secretary, treasurer, and members of the executive committee are the only directors that can receive a regular salary. The members may provide by resolution at any annual or special meeting, a fair remuneration for the time and services of the Directors. No Director is allowed to be a party to a contract for profit with the Association, other than contracts issued to all members participating.
The organization has a recall and referendum system. A petition signed by five percent of the Members and filed with the secretary will require an election concerning the removal of any Director. In case of removal, the vacancy is also filled by a vote of the Members. Officers may be removed by a vote of two thirds of the Board of Directors, and the Board of Directors may discharge employees and agents at any time. A demand of any two Directors will require any matter of policy that has been approved by the Board to be referred to the entire membership at the next election.

Membership in the Association is made up of all holders of common stock. To be eligible to hold common stock, the subscriber must be a producer of forest products within the area covered by the Association or receive rent from such land, and must have a marketing agreement with the Association. If at any time a member becomes ineligible to hold common stock, by death or failure to comply with his marketing agreement or other Association requirements, the Association through the Board of Directors may purchase his stock. Also, in order to keep ownership and control in the hands of active producers, the Association may repurchase the oldest outstanding shares of common stock at the close of any fiscal year. However, in doing this, the Association's capital must not be impaired, the debts must not exceed 50 percent of the assets, and the number of shares of common stock outstanding must
not be reduced below 20,000.

The Association has $100,000 capital stock divided into an equal number of shares of common stock and preferred stock, each selling at $1.00 per share par value. The Management and Marketing Agreement of the Association calls for a certain deduction to be made from amounts due each member per unit of product. At the close of the fiscal year, June 30, the total of these deductions for each member will be applied to the purchase of common stock at par value or the fair book value, whichever is greater. Any fractions are carried over to the next year. No member is permitted to own more than one-twentieth of the capital stock. If at any time the purchase of more stock by the deductions would result in ownership of more than one-twentieth of the capital stock, the money is refunded instead.

Preferred stock may be sold to any person, member or non-member. It may be issued from time to time in amounts to be determined by the Board of Directors until the total amount is issued. Any or all outstanding shares of preferred stock may be redeemed at any time at par value plus any non-cumulative interest or dividends, when 30 days notice has been given. No stock, common or preferred, may be issued until paid for in full at par value. Preferred stock receives interest not to exceed 5 percent of the par value but does not entitle the owner to a vote. Common stock receives interest not to exceed 8 percent
and entitles the holder to one vote. Any transfers of stock must be made upon the books of the Association and subject to the approval of the Board of Directors.

Distribution of income is made at the end of each fiscal year. All expenses of the Association for operation and otherwise must be paid first. Also, reserves for depreciation of buildings, machinery, equipment, and office fixtures must be set aside. Provisions must be made for payments on interest and principal of obligations and amortized debts of the Association and for the purchase of proper supplies and equipment. After all these matters are cared for, the Association must set aside a reserve of not less than 10 percent of the net earnings until a reserve of not less than 20 percent of the amount of capital stock issued and outstanding has accumulated. Then, and not till then, interest payments are made upon common and preferred stock. The balance, if any, may be used for repurchase of stock or may be distributed in the form of patronage dividends or refunds to the members in proportion to the volume of business contributed by each during the preceding 3-year period.

Operation of the Corporation

The sponsors and organizers of this Corporation realized that at one time Otsego County had one of the finest stands of timber in the Northeast. Through successive waves of unrestricted cutting, the amount of high quality timber available has been so depleted that many wood-using
industries have been discontinued. The need, then, is for a type of cutting which will rebuild the depleted forests so that a larger volume of industry may be supported continuously. The purpose of this farmer-owned and controlled service is to: (1) promote, foster and encourage the better care and increased productivity of woodlands and, (2) provide a means of marketing farm woodland products which will bring to the farmer-owners maximum possible benefits in: (a) cash income at frequent intervals from stumpage or log scales, (b) opportunity for off season work for men and teams, and (c) improvement of his woodland.

With this purpose in mind, a standard management and marketing agreement has been drawn up which each member must sign and agree to comply with. By this agreement the member agrees to sell and the Association to buy all forest products cut and not required for use on the farm. Forest products cannot be sold to any other person without consent of the Association. The member may or may not deliver his products. If transportation is provided by the Association, the cost will be deducted from the value of the product.

The member must comply with approved forestry methods as determined by the Association. If the member so requests, the Association may undertake the cutting, logging, and transportation of the forest products. Sustained yield and improved quantity and quality of forest products from
the woodlot are the guiding principles upon which the forestry practice is based. Clear cutting is not allowed except in unusual cases. Small groups of not more than one-half acre may be clear cut if such a practice will improve the woodlot condition. Trees for removal must be marked by the Association or the member and should be those that will benefit the stand by their removal. After each cutting the growth of remaining trees should be allowed to replace the amount of timber removed. Consideration will be given to the diversity of conditions in different woodlots, but adopted standard practices will be applicable in most cases. The agreement provides that no trees are to be cut from the woodlot, except those suitable only for fuel, until a cruise has been made by the Association. Following the cruise the Association informs the member of the proper methods of preparing logs and other forest products for sale and how to mark trees to be cut. Light cuttings on a selective basis are recommended. Cuttings of not more than 10 to 15 percent of the timber on any given area will allow a cut to be made every 3 to 5 years on that area. In marking the trees, consideration will be given in the following order: (1) diseased and poorly formed trees of all species, (2) inferior species such as ironwood, blue beech, fire cherry, and aspen, and (3) mature or over-mature trees of all species. Generally, rapidly growing trees should be left standing unless they are defective.
Undesirable trees should be left only when they are needed as trainers. If the woodlot owner wants an annual income from his woodlot, he may divide it into three to five sections and cut one selectively each year. Any cutting, whether for market or home use must be reported to the Association for their records.

If at any time a member wishes to deviate from the standard practice in order to get extra cash or improve the woodlot, application must be made to the Association for special consideration. The action followed will depend largely upon the condition of woodlot. In very few cases will it be possible to realize much more cash without destroying the productivity of the stand.

The kinds and quantities of forest products that the Association wishes to handle may change from year to year. The Association must give the members this information at least once a year. The members must comply with this information and cut and deliver to the Association only those products that are approved. The Association also will publish at least once during each operating period, the prices that will be paid to all members alike for the various products. All prices are on the basis of the value prior to pooling, grading, and processing by the Association. After delivery of products to the Association, they become property of the Association and are marketed in the most advantageous form and at the best prices that are obtainable. The proceeds received
by the Association are distributed as set forth in the By-Laws. The Association makes certain deductions on products delivered by members. For each 1000 board feet of logs over twelve inches in diameter inside the bark at the small end, a deduction of $0.75 is made. A deduction of $0.25 is made for each cord of 128 stacked cubic feet, for each 100 cubic feet solid wood inside bark, or for each two tones of pulpwood, mine timber, dimension stock bolts, or any other material except fuelwood. For each cord of 128 stacked cubic feet or for each two tons of fuelwood, a deduction of $0.10 is made. These are the deductions that are applied towards the purchase of common stock for the members.

The Association may refuse to accept products that it cannot dispose of advantageously upon ten days written notice to the member. In such a case the member may sell and deliver his products to any person and in any manner he sees fit, as long as the removal is in accord with good forestry practice. Also, the Association must have some means of enforcing the provisions of the marketing contract. It is impracticable and extremely difficult to determine the actual damage to the Association by failure of the member to deliver products agreed to be delivered. Therefore, uniform penalties have been decided upon for all products sold, delivered, or marketed elsewhere by the member. A penalty of $2.00 for each thousand feet board measure of logs over 12 inches in diameter at the
small end, and $0.50 for each cord of 128 stacked cubic feet, for each 100 cubic feet solid content, or for each two tons of pulpwood, mine timber, dimension stock bolts, or other material except fuelwood will be charged upon failure to sell products to the Association.

This Standard Management and Marketing Agreement is effective immediately upon its acceptance by the Association and continues for a period of five years thereafter. The agreement may be terminated, however, by either the Association or the member at the end of any fiscal year. The other party must be notified in writing not less than 15 days nor more than 45 days prior to the close of the fiscal year of such termination.

Results of the Association

Though the Association has been organized since November 14, 1935, it has only one more or less experimental operating season behind it, according to a letter from C. R. Lockard, Forest Economist of the Northeastern Forest Experiment Station. According to Mr. Lockard the Association cannot function without processing facilities designed to take care of all the products of cooperative forestry practice. These facilities are now being built.

Eighty-five members cut their forests during the last season according to the accepted forestry practice of the Association. About $15,000 worth of products, mostly logs, were brought in and converted into lumber
at a small circular mill. Though the limited operation showed the inadequacy of the usual facilities available to farmers from the standpoint of utilizing the total annual cubic volume growth, it added about 20 percent to the cash income of the members without depleting their growing stock by more than two years growth. (see appendix for letter)

Figure 1 indicates the utilization possibilities expected from the Unit.

Conclusion

There can be no doubt that there is a great need for some kind of readjustment for the farm woodlots of the Eastern states. This source of forest products is gradually taking its place among the forests of the United States and is destined to become more important as the virgin timber of the region disappears. If this intensive forestry practice follows the path of the former extensive practice, it will progress to the southern and midwestern states, where it is becoming important already, and eventually end up on the Pacific Coast. As foresters we should be interested in the problems of the woodlot and their solutions, for herein lies the source of much of our future forest products and many of the foresters' jobs.

To anyone having faith in accepted good forestry practice as a paying proposition should favor cooperative organizations for farm woodlots. Such a corporation
Analysis of utilization possibilities, Otsego Forest Products Cooperative Association, Inc. The indicated production could be sustained by about one-fourth of the merchantable forest land within a radius of 15 miles from Cooperstown. (1:60)
promotes good forestry practice and has enough strength in organization to enforce its policies among the members. Extension service and cooperation of State and National Forest Service can be offered, but it is difficult to get farmers to make use of it. Through a cooperative organization farmers may gain faith enough to try the system. After a few successful examples, it should be easy to organize farm woodlots for cooperative operations.

We think that conditions are right in the Eastern states for the successful operation of cooperative organizations of farm woodlots. High population density, ease of transportation, lack of extensive virgin forests, condition of the woodlots, cost of transporting lumber from the South and Pacific Coast, and other factors tend to indicate this. However, we do not think we are ready for this system on the Pacific Coast. There is too much competition from large mills such as Weyerhauser, Long-Bell, and Crown-Willamette. Also, there is still plenty of mature virgin timber to keep these mills running for many years. It is possible that through proper care and administration of our remaining forests, we may never have to depend upon the woodlots of the West for timber.
Bibliography

1. Behre, C. E. and Lockard, C. R.; Centralized Management and Utilization Adapted to Farm Woodlands in the Northeast; published by the Charles Lathrop Pack Forestry Foundation and the New York State College of Forestry at Syracuse University, February, 1937.


5. Phillips, James E.; Silvicultural Considerations in the Management of the Tioga County Cooperative Forest Unit, April, 1938.

6. Prescott, Herbert F.; Municipal or Community Forests, Their importance as a source of future timber supply, for the conservation of wild life, and for recreational use; 1927.


***

APPENDIX

***
FARM WOODLANDS OF WASHINGTON

LAND AREAS IN STATE

![Land Areas in State Diagram]

<table>
<thead>
<tr>
<th>Category</th>
<th>Acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Land Area</td>
<td>42.8</td>
</tr>
<tr>
<td>Total Forest Land (includes Farm Woodlands)</td>
<td>22.3</td>
</tr>
<tr>
<td>Land in Farms</td>
<td>223</td>
</tr>
<tr>
<td>Woodland on Farms</td>
<td>14.7</td>
</tr>
<tr>
<td>Percentage of Land in Farms</td>
<td>16%</td>
</tr>
</tbody>
</table>

FARM FAMILIES BENEFITED

![Families Benefited Diagram]

** Thousands of Families

- By Potatoes*
- Small Grains* (Hay)
- Forest Products*
- Hay (Timothy and Clover)

FARM FAMILIES IN STATE

- Total Families*

COMPARISON OF PRINCIPAL INCOME SOURCES

![Comparison of Principal Income Sources Diagram]

<table>
<thead>
<tr>
<th>Source</th>
<th>Millions of Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Field Crops**</td>
<td>144.8</td>
</tr>
<tr>
<td>Livestock**</td>
<td>63.7</td>
</tr>
<tr>
<td>Forest Products**</td>
<td>3.3 (2% of Raw Forest Products)</td>
</tr>
<tr>
<td>Raw Forest Products** (Logs, Ties, Poles, Fuelwood, etc.)</td>
<td>132.7</td>
</tr>
<tr>
<td>Forest Industries** ( Finished Products)</td>
<td>308.8 (39% of All Manufactured Products)</td>
</tr>
<tr>
<td>All Manufactured Products**</td>
<td>7956</td>
</tr>
</tbody>
</table>

* 1935 CENSUS
** 1930 CENSUS

U.S. DEPARTMENT OF AGRICULTURE
FOREST SERVICE
DIVISION OF PRIVATE FORESTRY

SCHOOL OF FORESTRY
OREGON STATE COLLEGE
CORVALLIS, OREGON
Farm Woodlands of Washington

Farm Land Areas

<table>
<thead>
<tr>
<th>Acres (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>OTHER LAND... 4%</td>
</tr>
<tr>
<td>PASTURE... 38%</td>
</tr>
<tr>
<td>WOODLAND... 16%</td>
</tr>
<tr>
<td>(PASTURED... 13%)</td>
</tr>
<tr>
<td>(NOT PASTURED... 3%)</td>
</tr>
<tr>
<td>CROP LAND... 42%</td>
</tr>
</tbody>
</table>

Cash Income from Seven Largest Crops

Also Value of Used Forest Products

<table>
<thead>
<tr>
<th>Dollar (Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FOREST PRODUCTS 1.4%</td>
</tr>
<tr>
<td>GREENHOUSE &amp; NURSERY PRODUCTS 3.7%</td>
</tr>
<tr>
<td>POTATOES 3.8%</td>
</tr>
<tr>
<td>HAY 5.2%</td>
</tr>
<tr>
<td>TIMOTHY &amp; CLOVER</td>
</tr>
<tr>
<td>TRUCK CROPS 7.2%</td>
</tr>
<tr>
<td>GRAIN CROPS 34.4%</td>
</tr>
<tr>
<td>FRUITS 42.4%</td>
</tr>
<tr>
<td>ALL OTHER CROPS 1.9%</td>
</tr>
</tbody>
</table>

U.S. Department of Agriculture
FOREST SERVICE
DIVISION OF Private FORESTRY
FARM WOODLANDS OF OREGON

FARM LAND AREAS

<table>
<thead>
<tr>
<th>Acres (Millions)</th>
<th>Other Land</th>
<th>Pasture</th>
<th>Woodland</th>
<th>Crop Land</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3%</td>
<td>54%</td>
<td>19%</td>
<td>24%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(Pastured 16%)</td>
<td>(Not Pastured 3%)</td>
</tr>
</tbody>
</table>

CASH INCOME FROM SIX LARGEST CROPS
(Also Value of Used Forest Products)

<table>
<thead>
<tr>
<th>Crops</th>
<th>Cash Income (Dollars in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forest Products</td>
<td>6.0%</td>
</tr>
<tr>
<td>Potatoes</td>
<td>6.3%</td>
</tr>
<tr>
<td>Hay</td>
<td>7.8%</td>
</tr>
<tr>
<td>Truck Crops</td>
<td>9.2%</td>
</tr>
<tr>
<td>Wheat</td>
<td>20.3%</td>
</tr>
<tr>
<td>Fruits (all kinds)</td>
<td>25.6%</td>
</tr>
<tr>
<td>and Nuts</td>
<td></td>
</tr>
<tr>
<td>All Other Crops</td>
<td>24.8%</td>
</tr>
</tbody>
</table>

**FARM LAND USE**

<table>
<thead>
<tr>
<th>Area (Acres)</th>
<th>Crop Land (all classes)</th>
<th>4,197,454</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pasture Land</td>
<td>9,290,282</td>
</tr>
<tr>
<td></td>
<td>Woodland (all classes)</td>
<td>3,349,944</td>
</tr>
<tr>
<td></td>
<td>Woodland pastured</td>
<td>2,772,314</td>
</tr>
<tr>
<td></td>
<td>Woodland not pastured</td>
<td>571,630</td>
</tr>
<tr>
<td></td>
<td>Other Land</td>
<td>549,889</td>
</tr>
<tr>
<td></td>
<td>Total Farm Land</td>
<td>17,357,549</td>
</tr>
</tbody>
</table>

**CASH INCOME FROM LEADING FARM PRODUCTS**

- Forest Products cut and sold, Year 1934: $2,233,000
- Rank among all crops, Sixth
- Fruits (all kinds) and Nuts: $9,440,000
- Wheat: $7,490,000
- Truck Crops: $3,395,000
- Hay: $2,322,000
- Potatoes: $2,323,000
- Forest Products: $2,233,000
- Value of all Forest Products, used or sold, Year 1934: $2,700,000

* Census, 1935.
** Estimates by Bu. Agr. Econ.

U.S. DEPARTMENT OF AGRICULTURE
FOREST SERVICE
Division of Private Forestry
Mr. Keith Hutchison,
412 S. 15th St.,
Corvallis, Oregon.

Dear Sir:

Your letter to Dr. Greenough, President of the Otsego Forest Products Cooperative Association, Inc., has been referred to this office.

We are enclosing herewith a bulletin dealing with the basic principles upon which the cooperative is founded. We are also enclosing copy of information leaflet, By-Laws, Marketing Agreement and Approved Forestry System of the Association.

The results of the Association's activities cannot be judged as yet due to the fact that the organization has only one more or less experimental operating season behind it. The Association cannot function without processing facilities designed to take care of all the products of cooperative forestry practice. These facilities are now being built and it is hoped that they will be available for processing the second season's production. In the last season's operations, eighty-five members cut their forests in a selected manner and brought in about $15,000 worth of products, chiefly logs. These were processed in a small circular mill and converted into lumber. The information showed the inadequacy of the usual facilities available to farmers from the standpoint of utilizing the total annual cubic volume growth. However, the limited operation added about 20% to the cash income of members without depleting their growing stock by more than two years' growth. The program, so far, has worked in accord with the ideas expressed in the enclosed bulletin.

I hope this will give you some idea of the way the Association operates. There is a big opportunity in many sections of the country for group handling of forests. It must be borne in mind, however, that the facilities and services developed by such groups must have as a primary and controlling objective, sustained yield management.

Yours very truly,

C. R. Dockard
Forest Economist
AMENDED CERTIFICATE OF INCORPORATION

OTSEGO FOREST PRODUCTS COOPERATIVE ASSOCIATION

We, the undersigned, desiring to form a non-profit, cooperative stock corporation pursuant to Article 8 of the Cooperative Corporation Law of the State of New York (Chapter 281 of the Laws of 1926, as amended) and all acts amendatory thereof and supplemental thereto, under the terms set forth hereunder, do hereby certify:

That all of the subscribers are of full age, that at least two-thirds of them are citizens of the United States, and that at least one of them is a resident of the State of New York,

That of the persons herein named as directors at least one is a citizen of the United States and a resident of the State of New York, and

That the names and post office addresses of the subscribers of this certificate and a statement of the number of shares of stock which each agrees to take in the corporation are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>P. O. Address</th>
<th>Number of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>James Greenough</td>
<td>Box 22, Cooperstown</td>
<td>1 (common stock)</td>
</tr>
<tr>
<td>William H. Petri</td>
<td>R. O. #2, Cooperstown</td>
<td>1 &quot; &quot;</td>
</tr>
<tr>
<td>A. J. Bowley</td>
<td>Cooperstown</td>
<td>1 &quot; &quot;</td>
</tr>
<tr>
<td>Otis D. Hott</td>
<td>Hartwick</td>
<td>1 &quot; &quot;</td>
</tr>
<tr>
<td>Don W. Ross</td>
<td>Cooperstown</td>
<td>1 &quot; &quot;</td>
</tr>
<tr>
<td>Adelbert H. Blencoe</td>
<td>Cooperstown</td>
<td>1 &quot; &quot;</td>
</tr>
<tr>
<td>Neil E. Rowe</td>
<td>Milford</td>
<td>1 &quot; &quot;</td>
</tr>
<tr>
<td>John W. Chase</td>
<td>Schenevus</td>
<td>1 &quot; &quot;</td>
</tr>
</tbody>
</table>

ARTICLE I.

The name of this Association shall be the Otsego Forest Products Cooperative Association, Incorporated.

ARTICLE II

In order to promote, foster, and encourage the better care and increased productivity of woodlands, the orderly and efficient marketing of forest products through cooperation, to eliminate speculation and waste, and to stabilize the marketing of forest products, this Association is organized to engage in the marketing or selling of the forest and other agricultural products of its common stockholders or members, and in connection therewith to engage in any one or more of the following activities (a) the production, processing, manufacturing, grading, storing, handling, shipping, or utilization thereof; (b) the manufacturing or marketing of the by-products thereof; (c) the selling or supplying to its members of machinery, equipment or supplies; (d) the financing of the above enumerated activities; and (e) any other activities permitted by the laws of this State necessary to accomplish these ends.
The Association may handle the products of non-members but in such case such products shall not exceed the total of similar products handled by the Association for its members.

ARTICLE III.

The principal office and place of business of this Association shall be in Cooperstown, Otsego County, State of New York.

ARTICLE IV

This Association shall be perpetual in its duration.

ARTICLE V

The corporate power of this Association is vested in a board of five (5) directors, each of whom must be a common stockholder of this Association. The following persons shall act as Directors until a regular election shall be held in accordance with by-laws to be adopted by the Association:

<table>
<thead>
<tr>
<th>Name</th>
<th>P. O. Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>James Greenough</td>
<td>Box 22, Cooperstown, New York</td>
</tr>
<tr>
<td>M. C. Bundy</td>
<td>Cooperstown, New York</td>
</tr>
<tr>
<td>Stewart Beckley</td>
<td>Cooperstown, New York</td>
</tr>
<tr>
<td>Otis D. Hott</td>
<td>Hartwick, New York</td>
</tr>
<tr>
<td>Karl Green</td>
<td>Cooperstown, New York</td>
</tr>
</tbody>
</table>

ARTICLE VI

Capital stock in this Association shall be limited to one hundred thousand dollars ($100,000), and shall consist of fifty thousand (50,000) shares of common stock of the par value of one dollar ($1.00) per share, and fifty thousand (50,000) shares of preferred stock of par value of one dollar ($1.00) per share.

ARTICLE VII

Common stock of this Association shall be issued only to persons, estates, firms, associations, or corporations, or their officers or managers, engaged in the production of the forest 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 receive as rent all or any part of the forest products raised on the leased premises; provided, however, that as a condition precedent to the issuance of common stock a standard management and marketing agreement prescribed by the Association must be signed by such persons, estates, firms, associations, or corporations, their officers or managers.
Said standard management and marketing agreement, which will be executed between the Association and its common stockholders, shall require that each and every member handle his woodland in accordance with principles of good forest practice, including the principle of sustained yield, approved by the Association.

The standard management and marketing agreement shall authorize the Association to deduct from amounts due each and every member from sales of forest products to the Association, such fixed amounts per unit of product as shall be stipulated in said agreement. The agreement shall also provide that common stock shall be issued annually at its par or fair book value, whichever is greater, to each and every member respectively in the amounts so deducted from his account.

The standard management and marketing agreement shall provide further that outstanding common stock may be re-purchased by the Association at its fair book value upon call of the Directors at any time except when its capital is impaired thereby and the debts of the Association exceed fifty percent of the assets thereof, provided that, except in the case of the purchase of outstanding stock from retiring or deceased stockholders or from stockholders who have violated the terms of their marketing agreement or the by-laws of the Association, or from those who have ceased to be eligible to hold common stock, the call of outstanding stock for purchase shall be in the order of its original issue.

Each holder of common stock shall be entitled to one vote only, regardless of the number of shares held. There shall be no voting by proxy.

Interest or dividends on common stock shall not exceed eight percent (8%) per annum.

**ARTICLE VIII**

Preferred stock may be issued from time to time in amounts and under conditions to be determined by the Directors until the total amount of authorized preferred stock shall have been issued, provided that no stock, common or preferred, shall be issued unless paid for in full at par value.

No voting power is attached to ownership of preferred stock.

Holders of preferred stock shall be entitled to receive a non-cumulative dividend, at the rate of 5 percent per annum and no more, payable annually when earned out of net earnings of the Corporation. No dividend shall be paid in any year on common stock of this Association until dividends on the preferred stock shall have been paid in full for that year.

Any or all outstanding shares of preferred stock may be redeemed or retired at any time by order of the Board of Directors upon 30 days' notice by mail to the holders thereof, who shall receive for such redemption or retirement the amount indicated in the agreement of sale of the shares to the Association.
preferred stock par value plus any non-cumulative interest or dividends which may have been declared prior to the expiration of said notice, after which no further dividends shall accrue thereon.

In the event of dissolution or liquidation of the Association, holders of preferred stock shall be entitled to receive payment for their shares at par value, plus any accrued interest or dividends which might have been declared for that year, before any distribution of assets shall be made to common stockholders. All assets remaining after such distribution to preferred stockholders and after payment of liabilities of the Association shall be distributed among common stockholders in proportion to their holdings of shares.

IN WITNESS WHEREOF, we have made, signed, acknowledged and filed the certificate in duplicate.

James Greenough  
William H. Petri  
A. J. Rowley  
Otis D. Mott  
Don W. Rose  
Adalbert H. Blencoe  
Neil E. Rowe  
John W. Chase

STATE OF NEW YORK:  
ss.
County of Otsego:

On this fourteenth day of November, 1935, before me personally came James Greenough, William H. Petri, A. J. Rowley, Otis D. Mott, Don W. Rose, Adalbert H. Blencoe, Neil E. Rowe, John W. Chase, to me known and known to me to be the individuals described in and who executed the foregoing instrument, and they severally acknowledged to me that they executed the same.

O. L. Van Horns  
Notary Public, Otsego Co., New York
ARTICLE I.

PURPOSES.

Section 1. The purposes for which this Association is formed are set forth in the Certificate of Incorporation of the Association.

ARTICLE II.

NAME AND LOCATION.

Section 1. Name. The name of this association shall be OTSEGO FOREST PRODUCTS COOPERATIVE ASSOCIATION, INC.

Section 2. Office. The principal office and place of business of the Association shall be located in Cooperstown, in the County of Otsego, State of New York. In addition to the principal office, the Association may have other offices at such place or places as shall be designated from time to time by the Board of Directors.

ARTICLE III.

SEAL.

Section 1. The Association shall have a corporate seal consisting of a circle having within its circumference the words "Otsego Forest Products Cooperative Association, Inc., Cooperstown, New York, Corporate Seal", an impression of which seal is attached hereto.

Section 2. The Secretary of the Association shall have custody of the seal.

Section 3. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE IV.

FISCAL YEAR.

The fiscal year of the Association shall begin the first day of July in each year.
ARTICLE V.

MEMBERSHIP.

Section 1. The holders of the common stock of this Association are its members. Any producer, in the territory covered by the Association, of Forest 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 receive as rent all or part of the Forest Products raised on the leased premises, may become a member by subscribing for common stock of this Association and by entering into a marketing agreement with the Association in the form prescribed thereby.

Section 2. In case of the death of a common stockholder, or if he ceases to be eligible to hold common stock as prescribed in Section 1 of this Article, or wilfully fails to comply with the terms of his marketing agreement, these by-laws and other requirements or wilfully obstructs the purposes and proper activities of the Association, or where, in order that ownership and control of the Association may be kept so far as possible in the hands of active producers, common stock is retired as provided in Article VI, Section 3, of these by-laws, the Association through the Board of Directors may purchase his share or shares of stock and may terminate his membership upon tender to him or his heirs or legal representatives of the fair book value of his shares as determined by the Board of Directors, together with any dividends or patronage refunds due and unpaid less any indebtedness then due from him to the Association.

ARTICLE VI.

CAPITAL STOCK.

Section 1. Authorized capital stock. The capital stock of this Association shall consist of one hundred thousand dollars ($100,000), divided into fifty thousand (50,000) shares of common stock of the par value of one dollar ($1.00) per share and fifty thousand (50,000) shares of preferred stock of the par value of one dollar ($1.00) per share.

Section 2. Common stock. The Association may deduct from amounts due each Member under the Management and Marketing Agreement of the Association such fixed amounts per unit of product as shall be stipulated in said Agreement. At the close of each fiscal year the Association shall apply the total of said deductions from the account of the Member during the preceding year to the purchase of common stock of the Association. The members shall pay for said common stock the par value, or the fair book value thereof as conclusively determined by the Board of Directors, whichever is greater. Amounts sufficient to purchase only fractions of
shares shall be carried over to the deduction account of the Member for the succeeding year. The common stock purchased through such deductions shall be issued and sent to the Member not later than one month after the close of each fiscal year.

Inasmuch as no member is permitted to own more than one-twentieth (1/20th) of the capital stock of the Association, all deductions in excess of the amount thereof necessary to purchase capital stock which, with stock already owned by the Member, would result in any year in his owning more than one-twentieth (1/20th) of the capital stock after the issuance of new shares under this section and the retirement of shares under the next succeeding section, shall be returned to the Member within the same period in which capital stock purchased by deductions is required to be sent to the Member.

Section 5. Retirement of Common Stock

(a) In order that ownership and control of the Association may be kept so far as possible in the hands of Members who are active producers of Forest Products, it is mutually agreed that at the close of any fiscal year, except when its capital is impaired thereby and the debts of the Association exceed fifty percent of the assets thereof, funds made available through the deductions referred to above in this Section, and any balance of current net income after appropriation for reserves and payment of dividends on outstanding stock have been made, may be applied by the Association to the repurchase thereby of its oldest outstanding shares of common stock as determined from dates of original issue and serial numbers of the stock certificates, provided that the number of shares of common stock outstanding may not be reduced below twenty thousand (20,000) in this way; provided further that the provisions of this paragraph relative to the order of calling for outstanding shares and minimum number of shares outstanding shall not apply in the case of the repurchase of outstanding stock of retiring or deceased Members or of Members who have ceased to be eligible to hold common stock, or who have violated the terms of this marketing agreement, the by-laws, and other requirements or wilfully obstructed the purposes and proper activities of the Association.

(b) In order to accomplish the foregoing purposes, the Member shall, upon call of the Board of Directors, made pursuant to and in accordance with the preceding paragraph of this Section, sell at the fair book value as conclusively determined by the Board of Directors of the Association, transfer and deliver to the Association, all or any shares of common stock and certificates representing the same, now or subsequently owned by him; and the Secretary of the Association may act as his agent to effect such sale or transfer. Notice of stock called for redemption shall be mailed to the Member at the address given in his Management and Marketing Agreement or at the last address which he has in writing designated to the Association at the time of such notice.
(c) Payment at said fair book value shall be made for shares called in accordance with this Section immediately upon delivery, except that in the case of the call of shares of retiring, deceased, or expelled Members, the Association may in its discretion make such payment within one year from the date of such retirement, death, or expulsion of the particular Member.

Failure or neglect of the Member to deliver certificates of shares, which are required to be delivered to the Association pursuant to this Section, within thirty (30) days from the date of the call thereof, shall entitle the Association to cancel such certificates upon the books of the Association, to deposit in a special fund the fair book value thereof, and thereafter to reissue shares represented by such certificates with the same effect as if such shares had been offered for transfer or sale in the usual manner. At any time thereafter the Member shall be entitled, upon surrendering such certificates, to receive from said special fund said payment of the fair book value without interest for the shares previously represented by said certificate.

Section 4. Preferred stock. Preferred stock may be sold to any person, Member or non-Member, and may be issued from time to time in amounts and under conditions to be determined by the Board of Directors until the total amount of authorized preferred stock shall have been issued.

Any or all outstanding shares of preferred stock may be redeemed or retired at any time upon call by the Board of Directors after thirty (30) days notice by mail to the holders thereof, who shall receive for such preferred stock the par value thereof plus any non-cumulative interest or dividends which may have been declared on such stock prior to the expiration of said thirty (30) day notice period, after which no further interest or dividends shall accrue thereon. These conditions of redemption or retirement of preferred stock shall be printed on the certificates thereof.

Section 5. Payment for stock. No stock, common or preferred, shall be issued until paid for in full at par value. Promissory notes of the stockholders may be accepted as full or partial payment and the stock shall be held as security for payment of the note or notes but such retention and security shall not affect the right to vote unless said notes are past due.

Section 6. Amount of stock to be owned. After the number of Members of the Association is in excess of twenty (20), no stockholder shall own more than one-twentieth (1/20th) of the capital stock and no one Member may own more than one-twentieth (1/20th) of the common stock.
Section 7. The certificates of stock shall be issued to each holder of fully paid stock and shall be numbered consecutively, in accordance with the order of issue.

1. Each certificate of common stock shall bear on its face the date of issuance and the following statements:

(a) This certificate No. ______ representing _______ shares of common stock, numbers ________, is issued and accepted in accordance with and subject to the conditions and restrictions stipulated in the Certificate of Incorporation and by-laws and amendments to the same of the Otsego Forest Products Cooperative Association, Inc.

(b) Transfer of common stock to persons not engaged in the production of Forest Products handled by the Association is prohibited. Transfers of shares shall be made only upon the books of the Association and only with the approval of the Board of Directors, and only when the stockholder transferring is free from indebtedness to the Association.

(c) No Member in this Association shall be entitled to more than one (1) vote at shareholders' meetings or to an annual return in the form of interest, of more than eight percent (8%) on the par value of his shares, or to hold more than one-twentieth (1/20th) of the common stock or entire capital stock of the Association. Every common stockholder upon becoming a Member of this Association agrees to sign such marketing contracts as may from time to time be provided and required by the Association and agrees, in case he shall desire to dispose of his shares of stock, to first offer the same to the Association at their fair book value and that he will make no offer of assignment or sale of the same unless the Association shall fail, after thirty (30) days notice in writing, so to purchase said shares.

2. Each certificate of preferred stock shall bear on its face the date of issuance and the following statements:

(a) This certificate No. ______ representing _______ shares of preferred stock, numbers ________, is issued and accepted in accordance with and subject to the conditions and restrictions stipulated in the Certificate of Incorporation and by-laws and amendments to the same of the Otsego Forest Products Cooperative Association, Inc.
(b) Transfer of shares shall be made only upon the books of the Association and only with the approval of the Board of Directors, and only when the stockholder transferring is free from indebtedness to the Association.

(c) Ownership of preferred stock shall not entitle the holder thereof to vote, nor to an annual return in the form of interest of more than five percent (5%) on the par value of his shares. No stockholder may hold more than one-twentieth (1/20th) of the capital stock of the Association.

(d) Any or all outstanding shares of preferred stock may be redeemed or retired by the Association at any time upon call by the Board of Directors after thirty (30) days notice by mail to the holders thereof, who shall receive for such preferred stock the par value thereof plus any non-cumulative interest or dividends which may have been declared on such stock prior to the expiration of said thirty (30) day notice period, after which time no further interest or dividends shall accrue thereon.

Section 8. All transfers of stock shall be made upon the books of the Association upon the surrender of the certificates covering the same by holders of the shares or by their legal representatives, but only with the approval of the Board of Directors and only when the transferring stockholder is free from indebtedness to the Association. Any transfer of common stock shall be made only to persons engaged in the production of Forest Products handled by the Association.

Section 9. Each common stockholder upon becoming a member of the Association agrees to sign such marketing agreements as the Association shall from time to time require and provide.

ARTICLE VII.

STOCKHOLDER MEETINGS

Section 1. The annual meeting of the Members of this Association shall be held at the principal office of the Association in Cooperstown, New York, or at such other place as the Board of Directors may designate, at 8:00 o'clock P.M., on the first Thursday in August of each year, if not a legal holiday, or if a legal holiday, on the next business day following.

Section 2. Special meetings of the Members of the Association may be called at any time by the President or upon resolution of the Board of Directors, or upon written petition to the Board of Directors,
signed by ten percent (10%) of the Members of the Association, which petition shall state the specific business to be brought before the Association and demand a special meeting; such meeting will thereafter be called by the Directors. The purpose of every special meeting shall be stated in the notice thereof, and no business shall be transacted thereat except such as is specified in the notice.

Section 5. Notice of meetings of Members of the Association may be given by publishing the same in one or more newspapers of general circulation circulating in the territory in which the Association has Members, at least ten (10) days prior to any meeting, or by a notice mailed to each member of record, directed to the address shown upon the books of the Association, at least ten (10) days prior to the meeting. Such a notice shall state the nature, time, place, and purpose of the meeting, but no failure or irregularity of notice of any annual meeting, regularly held, shall affect any proceedings taken thereat.

Section 6. Quorum; Voting. Fifteen percent (15%) of the holders of common stock shall constitute a quorum at any meeting of the Association for the transaction of business. The voting powers of the members of this Association shall be equal and each member shall have one vote only and no voting by proxy shall be allowed. Ownership of preferred stock shall not entitle the holder thereof to vote.

Section 5. Directors of this Association shall be elected at the annual meeting of the Association.

Section 6. Order of business. The order of business at the regular meetings and so far as possible at all other meetings shall be:

1. Calling to order and proof of quorum.
2. Proof of notice of meeting.
3. Reading and action on any unapproved minutes.
4. Reports of officers and committees.
5. Election of Directors.
6. Unfinished business.
8. Adjournment.
ARTICLE VIII.

DIRECTORS AND OFFICERS.

Section 1. Election of Directors. The Board of Directors of this Association shall consist of not less than five (5) Members, all of whom shall be Members of the Association. At the first election of Directors to succeed the incorporating Directors, the stockholders shall elect one (1) Director for one (1) year, two (2) Directors for two (2) years, and two (2) Directors for three (3) years, and thereafter each Director shall be elected for three (3) years. Each Director shall hold office until his successor has been elected and qualified and entered upon the discharge of his duties.

Election of the Directors shall be by ballot. One (1) ballot shall be cast for the entire slate of nominees. In the case of one (1) vacancy, the candidate receiving the highest number of votes on such ballot will be considered elected. In the case of two (2) vacancies, the candidates receiving the highest and second highest number of votes will be considered elected. The same principle shall be used in the case of more than two (2) vacancies.

Nominations for the Board of Directors may be made in advance of the annual meeting of the Members by written petition, signed by at least ten (10) Members, and all such nominations received prior to mailing notice of such meeting shall be included in such notice.

At the annual meeting the names of candidates nominated in advance by petition shall be read to the Members present and the call for additional nominations from the floor shall be made before voting takes place.

Section 2. Election of Officers. The Board of Directors shall meet within ten (10) days after the first election and within ten (10) days after the annual election and shall elect by ballot, from among themselves, a President, Vice-President, Secretary and Treasurer (or a Secretary-Treasurer), each of whom shall hold office until the next annual meeting and until his successor is elected and qualified, unless sooner removed by death, resignation or for cause. Becoming disqualified as a Member shall operate as a vacancy in the office of the Director.

Section 3. Vacancy in the Board. Any vacancy in the Board of Directors, other than from the expiration of a term of office, shall be filled by election by the remaining Members of the Board until the next regular or special meeting of the Members of the Association, at which meeting a Director shall be elected for the unexpired term.
Section 4. Meetings of the Board.

(a) Regular meetings of the Board of Directors shall be held on the first Thursday of February, May, August and November of each year at the principal office of the Association or at such other place as they may from time to time determine. Notice stating time and place of regular meetings of the Directors shall be mailed by the Secretary to each Director at his last known address at least five (5) days prior to the time of each meeting. The regular meeting in August shall be held immediately after the close of the annual meeting of the stockholders at that time.

(b) Special meetings of the Board of Directors may be held at any time upon the call of the President or by any two (2) of the Directors. Each call for the special meeting shall be in writing, stating the time and place of such meeting, and signed by the person or persons making the call. Each such call shall be addressed and delivered to the Secretary who shall promptly transmit the call to each Director.

(c) A majority of the Board of Directors shall constitute a quorum at any meeting of the Board, but no measure voted upon by the Board of Directors shall be effective unless a majority of all the Members of the Board vote in favor thereof.

Section 5. Compensation. No Director shall occupy any position in the Association on regular salary or substantially full time pay, except the President, Secretary, Treasurer, or Member of the executive committee. By resolution at any annual or special meeting the Members may provide a fair remuneration for the time actually spent by the officers and Directors of the Association in its service and for the service of the Members of its executive committee. No Director shall be a party to a contract for profit with the Association, which in substance shall differ in any way from similar contracts with Members of the Association of others, or which shall vary from terms generally current in the district.

Section 6. Removal. Any Member may bring charges against a Director by filing them in writing with the Secretary, together with a petition signed by five (5) per centum of the Members, requesting the removal of the Director in question. The removal shall be voted upon at the next regular or special meeting of the Association, and the Association may remove the Director and fill the vacancy by the affirmative vote of three-quarters (3/4) of the Members voting thereon at a meeting held after due notice in writing which shall set forth accurately the purpose for which such meeting is called at which not less than ten (10) per centum of all the Members vote. The Director against whom such charges have been
brought shall be informed thereof in writing 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.

Officers may be removed for cause by vote of two-thirds (2/3) of the Members of the Board of Directors, and employees or agents may be discharged or removed from office or employment at any time by action of the Board of Directors.

Section 7. Referendum. Upon demand of any two (2) Directors, made and recorded at the same meeting at which any matter of policy that has been approved or passed by the Board, such matter must be referred to the entire membership for decision at the next special or regular meeting of the Association; and a special meeting may be called for that purpose.

ARTICLE IX.

DUTIES OF DIRECTORS.

Section 1. The Board of Directors, subject to restrictions of law, the Certificate of Incorporation, or these by-laws, shall exercise all of the powers of the Association, and, without prejudice to or limitation upon their general powers, it is hereby expressly provided that the Board of Directors shall have, and are hereby given, full power and authority (to be exercised by resolution adopted by majority vote of all the Members of the Board present at any regular or special meeting at which a quorum is present) in respect to the matters and as hereinafter set forth:

1. To pass upon the qualification of Members, and to cause to be issued appropriate certificates of stock not to exceed in the aggregate the amount of authorized capital stock.

2. To select, and appoint all officers, agents or employees of the Association, or remove such officers, agents or employees of the Association for just cause, prescribe such duties and designate such powers as may not be inconsistent with these by-laws, fix their compensation and pay for faithful services.

3. To borrow, from any Federal or State agency or from any other sources, money, goods, or services, and to make and issue notes, and other negotiable and transferable instruments, mortgages, deeds of trust and trust agreements, and to do every act and thing necessary to effectuate the same.
4. To prescribe, adopt and amend, from time to time, such equitable and uniform rules and regulations as, in their discretion, may be deemed essential or convenient for the conduct of the business and affairs of the Association and the guidance and control of its officers and employees, and to prescribe adequate penalties for the breach thereof.

5. To mortgage, pledge, assign, hypothecate, or otherwise alienate, as security for any Association indebtedness, any Forest Products, warehouse receipts, bills of lading, or other evidences of ownership or right of possession of any Products received by the Association, and also the proceeds and moneys owing to the Association from the sale of any Products.

6. Immediately after the close of each fiscal year, to cause an audit to be made of the operations of the Association for such fiscal year and to submit to the regular annual meeting of the Association a written report of the audit, including a statement of services rendered by the Association, with total amount of business transacted, balance sheet, income and expenses, and a general statement concerning the condition of the Association and its affairs.

7. To make payments to Members for Products delivered to the Association.

8. To fix and cause to be published prices which will be paid Members for the kind and qualities of Forest Products delivered by them.

9. To require all officers, agents and employees charged by the Association with responsibility for the custody of any of its funds or securities to give adequate bonds, to be approved by the Board of Directors for the faithful performance of his duties and obligations, the cost thereof to be paid by the Association.

10. To carry out the marketing agreements of the Association with its Members in every way advantageous to the Association representing the Members collectively.

11. To select one or more banks to act as depositories of the funds of the Association and to determine the manner of receiving, depositing, and disbursing the funds of the Association and the form of checks and the person or persons by whom the same shall be signed, with the power to change such banks and the person or persons signing such checks and the form thereof at will.
12. To appoint from their own membership an executive committee of three (3) Members, determine their tenure of office and their powers and duties. The executive committee shall have, subject to the general direction, approval, and control of the Board of Directors, such powers and duties as may from time to time be prescribed by the Board of Directors and these duties and powers may be all of the duties and powers of the Board of Directors.

ARTICLE X

DUTIES OF OFFICERS.

Section 1. Duties of President. The President shall (1) preside over all meetings of the Association and of the Board of Directors, (2) call special meetings of the Association and of the Board of Directors, (3) perform all acts and duties usually performed by an executive and presiding officer, and (4) sign all stock certificates and such other papers of the Association as he may be authorized or directed to sign by the Board of Directors, provided, the Board of Directors may authorize any person to sign any or all checks, contracts, and other instruments in writing on behalf of the Association. The President shall perform such other duties as may be prescribed by the Board of Directors.

Section 2. Duties of Vice-President. In the absence of disability of the President, the Vice-President shall perform the duties of the President; provided, however, that in case of death, resignation, or disability of the President, the Board of Directors may declare the office vacant and elect his successor.

Section 3. Duties of Secretary. The Secretary shall keep a complete record of all meetings of the Association and of the Board of Directors and shall have general charge and supervision of the books and records of the Association. He shall sign all stock certificates with the President and such other papers pertaining to the Association as he may be authorized or directed to do by the Board of Directors. He shall serve all notices required by law and by these by-laws and shall make a full report of all matters and business pertaining to his office to the Members at the annual meeting. He shall keep the corporate seal and the stock records of the Association, complete and counter-sign all certificates issued, and affix said corporate seal to all papers requiring seal. He shall keep a proper stock record, showing the name of each Member of the Association, the number of his stock certificate, and date of issuance, surrender, cancellation, or forfeiture. He shall act as Secretary of the executive committee. He shall make all reports required by law and shall perform such other duties as may be required of him by the
Association or the Board of Directors. Upon the election of his successor, the Secretary shall turn over to him all books and other property belonging to the Association that he may have in his possession.

Section 4. Duties of Assistant Secretaries. The Board of Directors may appoint Assistant Secretaries in its discretion and may delegate to them any or all of the duties of the Secretary hereunder and they shall perform such other duties as may be prescribed by the Board of Directors.

Section 5. Duties of Treasurer. The Treasurer shall perform such duties with respect to the finances of the Association as may be prescribed by the Board of Directors.

ARTICLE XI.

MANAGEMENT AND MARKETING AGREEMENT.

Section 1. The Management and Marketing Agreement which must be signed by each Member as a prerequisite to ownership of common stock in this Association, and to all the terms of which each and every Member must agree, shall be in the following form and contain the following terms and provisions: (See Standard Management and Marketing Agreement).

Section 2. Contracts with non-Members. The Board of Directors may enter into contracts for and on behalf of the Association for the purchase or marketing of Forest Products of non-Members; provided, however, that such non-Members' Products handled in any year shall not exceed the total of similar Products handled by the Association for its own Members.

ARTICLE XII.

DISTRIBUTION OF INCOME.

Section 1. At the end of each fiscal year, after paying the expenses of the Association for operation and otherwise and after setting aside reserves for depreciation on all buildings, machinery, equipment, and office fixtures, and after providing for payments on interest and principal of obligations and amortized debts of the Association, and after providing for the purchase of proper supplies and equipment, the Board of Directors shall apportion the net income, in so far as funds are available in the following order and manner:

1. By setting aside not less than ten percent (10%) of the net earnings as a reserve until an amount of not less than twenty percent (20%) of the amount of capital stock issued and outstanding has accumulated in said reserve.

2. By paying not to exceed five percent (5%) per annum on the preferred stock, before any interest or dividends are declared on common stock, and by paying not to exceed eight percent (8%) on the
common stock. Interest or dividends on stock shall not be cumulative.

(3) Whenever in the discretion of the Board it is deemed advisable to do so, by applying all or part of the balance thereof to the repurchase of outstanding common stock of the Association, as set forth in Article VI, Section 5, of these by-laws.

(4) The balance, if any, of such net income shall be distributed in the form of patronage dividends or refunds at the end of each fiscal year to Members of the Association only, in proportion to the volume of business contributed by each during the preceding 5-year period, based on the amount of Forest Products marketed through the Association, as shown on its records.

Section 2. Any part or the whole of the interest on capital stock or patronage dividends apportioned to any Member may be applied at the discretion of the Board of Directors, to the indebtedness, should any exist, of any stockholder to the Association and in such case the stockholder shall be notified in writing of the amount so applied.

Section 3. The Association shall at all times have a lien on all property or money of any stockholder which it may have in its hands, subject to the rights of the holder of any negotiable documents of title thereto, for any obligation due from such stockholder.

ARTICLE XIII.

AMENDMENTS.

These by-laws may be repealed or amended by affirmative vote of three-fourths (3/4) of the Members voting thereon at any regular meeting of the Association, or at any special meeting called for that purpose, after due notice in writing which shall set forth accurately the purpose of the meeting, at which not less than ten percent (10%) of all the Members vote. The Members shall not have the power to change the purposes of the Association so as to decrease its rights and powers under the laws of the State of New York or to waive any requirement of bond or other provision for the safety and security of the property and funds of the Association or its Members, or to deprive any Member of rights and privileges then existing; or so to amend the by-laws as to affect a fundamental change in the policies of the Association. Notice of any amendment to be made at a special meeting of the Members must be given at least ten (10) days before such meeting and must set forth the amendments to be considered.
THIS AGREEMENT made between the Otsego Forest Products Cooperative Association, Inc., a corporation organized and existing under Article 8 of the Co-operative Corporations Law of the State of New York (hereinafter called the "Association") and the undersigned common stockholder of the Association (hereinafter called the "Member"), witnesseth;

WHEREAS, the Association has been organized, among other purposes, to promote, foster, encourage, and provide for the intelligent and orderly marketing of trees, logs, lumber, pulpwood, and other products of the forest lands (hereinafter called "Forest Products" or "Products") of the members of the Association through cooperation, to eliminate speculation and waste, and to stabilize the marketing of such Products, which purposes cannot be accomplished efficiently and economically unless the Association has each year a substantial volume of Forest Products to market, and

WHEREAS, an annual substantial volume of Forest Products from the forest lands of the members of the Association requires the application to such lands of good forestry practice including such practice as is in accordance with the principle of sustained yield, which application will benefit both the members and the public in that it will provide a continuing income from such lands to the members owning the same, will increase the quality and quantity of Forest Products to be obtained therefrom, and at the same time will preserve, improve and increase the forests on such lands and avoid despoliation, depletion and destruction of them, and

WHEREAS, the members of the Association desire for their mutual benefit to join in carrying out the purposes and program of the Association and to comply with its requirements.

NOW THEREFORE, in consideration of the expenses to be incurred by the Association in the handling, processing, manufacturing, drying, grading, shipping, utilisation, storing, and marketing of Forest Products, and in the development and application of principles of good forestry practice, the execution of similar agreements by other members of the Association, and the obligations and promises of the respective parties herein expressed, it is mutually agreed as follows:

Sec. 1. The Property Sold, Place and Time of Delivery.

(a) The Member agrees to sell and the Association agrees to buy, subject to the terms and conditions hereof, all Forest Products, except material suitable only for fuel and such products as are required for the Member's own use and not for sale, cut during the existence hereof on the lands which are owned or leased by the Member and described as follows:
(b) The Member warrants that he has not heretofore sold or encumbered, or contracted to sell, encumber, market, consign, or deliver any of such Forest Products to any person, firm or corporation except

(c) The Member agrees to deliver and the Association agrees to receive such Forest Products at its plant in Cooperstown, New York, or such other delivery point as is specified by the Association. Title to said Products shall pass to and become absolute in the Association upon delivery thereof to the Association at such place or places as may be designated by it.

Sec. 2. Forestry Methods; Operations by the Association.

(a) The Association shall formulate and adopt methods of forestry practice concerning the care and development of forest land and the conducting of operations for the removal of Forest Products therefrom, which shall conform to the applicable principles of good forestry practice, including the principle of sustained yield, shall from time to time revise such methods so as to include therein further applicable developments and improvements in forestry practice, and shall advise and assist the Member in the application of such methods to his land, either directly or through the cooperation of properly accredited forestry officials.

(b) The Member agrees that he will use and care for said lands in accordance with said methods of forestry practice formulated and adopted by the Association and will not cut timber, or conduct any forestry operations, or have or permit the same to be done, except in compliance therewith.

(c) Upon request of the Member, the Association will undertake the cutting, logging, and transportation of Forest Products for the Member and shall have the right to enter upon the land of the Member to do any and all work necessary or incident to the removal of Forest Products, all of which operations shall be in accordance with said approved methods of forestry practice, provided, however, that the Association shall be free to commence, handle, and halt such operations at any time and in any manner it sees fit and shall not be liable for any damage arising from said operations except for misfeasance or malfeasance.
Sec. 3. Annual Production.

(a) The Association shall advise its members at least once each year of the kinds and quantities of Forest Products it intends to handle in the ensuing operating period which may be the fiscal year of the Association, the calendar year, or a definite seasonal period, whichever the Board of Directors of the Association determines to be most appropriate.

(b) The Member agrees to cut in each operating period such and only such kinds and quantities of Forest Products as are approved for delivery by the Association pursuant to the preceding paragraph of this section and as may be marked for cutting in such operating period in accordance with the aforementioned methods of forestry practice, formulated and approved by the Association.

Sec. 4. Prices, Payments to Producers.

(a) The Association shall publish and send to the members at least once during each operating period the prices which will be paid all members alike for the kinds and qualities of Forest Products to be delivered to the Association hereunder in such period. All prices will be on the basis of value prior to any pooling, grading, or processing at the Association's place at Cooperstown, New York, or other designated shipping or processing points. When cutting, logging, or transportation to the mill or other designated shipping or manufacturing points is handled by the Association either directly or under contract, the actual cost of such operations, including reasonable allowance for overhead and management, shall be deducted from the prices paid to the Member.

(b) Payments of the agreed price, less any deductions specified herein, for Forest Products sold and delivered hereunder, shall be made by the Association to the Member within thirty (30) days after delivery thereof, according to the kinds and quantities of such Forest Products delivered.

(c) The grading and measurement of all Forest Products delivered hereunder shall be uniform and based upon proper principles and accepted practice. Quantities shall be expressed in board feet, cubic feet, cords, or tons, as may be appropriate for the particular class of Products delivered. All determinations of the quality, grade, and quantity of Forest Products of the Member and of other members of the Association which shall be delivered to the Association shall be made fairly and impartially by experienced and competent representatives of the Association. The Member expressly agrees to accept any determination made in accordance with said standards and in the manner specified as a conclusive finding of the quality, grade, and quantity of any Forest Products delivered hereunder, which are the subject of such determination.
Sec. 5. Marketing of Products by the Association.

(a) The Member agrees that the Association shall become actual owner of the Forest Products delivered hereunder, and exercise any and every right of ownership thereof, including the right to borrow money thereon.

(b) The Member agrees that the Association may pool, grade, process, and market the Forest Products delivered hereunder, separately or with Forest Products of other members, none in one way and some in another, in lots of particular grades and kinds, or otherwise, as the Association may deem advisable, all on its sole and exclusive discretion, and that the Association may receive in its own name all the proceeds of the sale or sales thereof.

(c) The Association agrees to use its best endeavors to market the Forest Products of the Member delivered hereunder together with similar products delivered by other members in the most advantageous form, at the best prices and upon the best terms obtainable in its judgment.

(d) Should the Association find itself unable to dispose advantageously of Products, it may upon ten days' written notice to the Member refuse to accept delivery of all or any part of the Forest Products expected to be delivered hereunder by the Member in any operating period and thereupon the Member may sell and deliver during said operating period all or any of said Forest Products (but none other) to any person and in any manner he sees fit, provided, however, that no Forest Products shall be removed from said land, nor any operations conducted thereon except in accordance with said methods of good forestry practice.

Sec. 6. Disposal of Proceeds from Sales.

(a) The proceeds received by the Association from sales of Products in accordance with the preceding section shall be used to defray all capital and operating costs incurred by the Association in its activities, including expenses of rendering advice and aid to members in applying proper forestry practices; payments to members for products delivered hereunder; expenses of measuring, grading, processing, and marketing the same; payment of principal and interest on any outstanding loans of the Association, costs of maintenance and depreciation of plants and equipment, insurance, taxes, fees, and all other costs incurred in any other activity which, in the judgment of the Board of Directors, may seem appropriate for the proper functioning of the Association.

(b) Any income left after meeting above costs shall be held available for setting up reasonable reserves; for payment of interest or dividends on outstanding stock; for retirement, if deemed advisable
in the opinion of the Board of Directors, of capital stock; and for patronage dividends; as provided in the by-laws of the Association.

Sec. 7. Capital Stock, Deductions therefor, Retirement thereof.

(a) The Member agrees to purchase and pay for in cash within a period of thirty days from the date hereof one share of the common stock of the Association at its par value of one dollar ($1.00).

(b) The Member hereby authorizes the Association to deduct from all sums due and payable each month to him by the Association the following amounts:

For each 1000 feet board measure of logs over twelve (12) inches in diameter inside bark at the small end ... $ .75

For each cord of 128 stacked cubic feet, for each 100 cubic feet solid wood inside bark, or for each two (2) tons of pulpwood, mine timber, dimension stock bolts, or any other material except fuelwood ...... $ .25

For each cord of 128 stacked cubic feet or for each two (2) tons of fuelwood ........................................... $ .10

No interest shall be payable on any such deductions.

(c) At the close of each fiscal year the Association shall apply the total of said deductions from the account of the Member during the preceding year to the purchase of shares of the common stock of the Association. The Member expressly agrees that the price which he shall pay for said stock shall be the par value, or the fair book value thereof as conclusively determined by the Board of Directors, whichever is greater. Amounts sufficient to purchase only fractions of shares shall be carried over to the deduction account of the Member for the succeeding year. The stock purchased through such deductions shall be issued and sent to the Member not later than one month after the close of each fiscal year.

(d) In order that ownership and control of the Association may be kept as far as possible in the hands of members who are active producers of Forest Products, it is mutually agreed that at the close of any fiscal year, except when its capital is impaired thereby and the debts of the Association exceed fifty percent of the assets thereof, funds made available through the deductions referred to above in this section, and any balance of current net income after appropriation for reserves and payment of dividends on outstanding stock have been made, may be applied by the Association to the repurchase thereby of its oldest outstanding shares of common stock as determined from dates of original issue and serial numbers of the stock certificates, provided that the number of shares of common stock outstanding may not
be reduced below twenty thousand (20,000) in this way; provided further that the provisions of this paragraph relative to the order of calling for outstanding shares and minimum number of shares outstanding shall not apply in the case of the repurchase of outstanding stock of retiring or deceased members or of members who have ceased to be eligible to hold common stock, or who have violated the terms of this marketing agreement, the by-laws and other requirements or wilfully obstructed the purposes and proper activities of the Association.

(e) In order to accomplish the foregoing purposes, the Member agrees that he will, upon call of the Board of Directors, made pursuant to and in accordance with the preceding paragraph of this Section, sell at the fair book value as conclusively determined by the Board of Directors of the Association, transfer and deliver to the Association, all or any shares of common stock and certificates representing the same, now or subsequently owned by him; and he hereby designates the Secretary of the Association as his agent to effect such sale or transfer. Notice of stock called for redemption shall be mailed to the Member at the address given in this Agreement or at the last address which he has in writing designated to the Association at the time of such notice.

(f) Payment at said fair book value shall be made for shares called in accordance with this Section immediately upon delivery, except that in the case of the call of shares of retiring, deceased, or expelled members, the Association may in its discretion make such payment within one year from the date of such retirement, death, or expulsion of the particular Member.

Failure or neglect of the Member to deliver certificates of shares, which are required to be delivered to the Association pursuant to this Section, within thirty days from the date of the call thereof shall entitle the Association to cancel such certificates upon the books of the Association, to deposit in a special fund the fair book value thereof, and thereafter to reissue shares represented by such certificates with the same effect as if such shares had been offered for transfer or sale in the usual manner. At any time thereafter the Member shall be entitled, upon surrendering such certificates, to receive from said special fund said payment of the fair book value without interest for the shares previously represented by said certificates.

Sec. 9. Sale or Encumbrance by Member.

The Member may, at any time, make a bona fide sale, lease, or mortgage of the land, or a mortgage of the Forest Products standing thereon, provided that no such sale, lease, or mortgage may be made without first notifying the Association of the intended transaction, and the other party or parties thereto of the obligations hereunder. No such lease or mortgage shall affect the rights of the Association respecting delivery of Forest Products hereunder. The Association
shall have the right, in any case, to pay the proceeds otherwise due the Member hereunder to the lessee or mortgagee, as may appear to it to be appropriate, and to charge any such payments against the Member individually. Any transfer by the Member of his forest lands or of the Forest Products standing thereon, to any relative or to any person in trust, during the life of this Agreement, shall be deemed to have been made subject to and conditional upon compliance with all of the terms hereof by any such transferee, and such compliance shall remain a continuing obligation of the Member.

Sec. 9. All Contracts Alike; Remedies of Association for Breach.

(a) This agreement is one of a series similar in terms signed by individual members of the Association, comprising, with all such agreements, one single contract between the Association and said members, and between the members mutually and individually obligated under all of the terms thereof. The Association shall be deemed to be acting for itself and in the interest of all such members in any action or legal proceeding on or arising out of this contract.

(b) Inasmuch as this contract is one of a series dependent for its value upon the adherence of each and all of the contracting parties to each and all of said contracts, and inasmuch as it will be impracticable and extremely difficult to determine the actual damage resulting to the Association should the Member fail to deliver to the Association all of the Forest Products herein agreed to be delivered, the Member hereby agrees to pay to the Association as liquidated damages, which shall not be regarded as penalties, for breach of this contract the following amounts for all Forest Products sold, delivered, or marketed elsewhere by or for him and so undelivered to the Association:

- $2.00 for each thousand feet board measure of logs over 12 inches in diameter at the small end.
- $ .50 for each cord of 128 stacked cubic feet, for each 100 cubic feet solid content, or for each two (2) tons of pulpwood, mine timber, dimension stock bolts, or other material except fuelwood.

(c) The Member agrees that in the event of a breach or the threatening of a breach by him of any material provision hereof, particularly as to the delivery or marketing of any Forest Products other than to or through the Association, the Association shall, upon proper action instituted by it, be entitled to an injunction to prevent any such breach or further breach of this contract and to a decree of specific performance hereof. Pending the adjudication of such an action, and upon filing a verified complaint showing the breach or threatened breach, and upon filing a bond in such form and amount as may be approved by the court, the Association shall be entitled to a temporary restraining order and preliminary injunction against the Member.
(d) In the event of any such breach or threatened breach of this contract by him, the Member agrees to pay all costs, premiums for bonds, expenses and fees, in case any action is brought upon this Agreement by the Association.

Sec.10. By-Laws.

This agreement is part of the By-Laws of the Association, as they now exist or may hereafter be duly amended, and said By-Laws shall be part of this Agreement and binding upon the Producer.

Sec.11. Term; Termination.

(a) This Agreement shall become effective immediately upon its acceptance by the Association; it shall continue in full force and effect for a period of five (5) years from said date of acceptance, unless sooner terminated as hereinafter provided.

(b) The Member or the Association may terminate this Agreement at the end of any fiscal year by notifying the other party to this Agreement in writing not less than fifteen (15) nor more than forty-five (45) days prior to the close of the fiscal year of such termination. Such notice of termination shall be sent by registered mail addressed, in the case of termination by the Member, to the Association at its principal place of business and, in the case of termination by the Association, to the Member at the address given in the acceptance of this Agreement or at the last address which he has in writing designated to the Association.

(c) It is hereby agreed and understood that the termination of this Agreement shall be the termination of the relation of the Association and the Member as buyer and seller of Forest Products. The Member’s shipments shall cease and not be accepted by the Association unless and until he shall have entered into a new marketing agreement with the Association.
Sec. 12. Contract Complete on its Face.

The parties hereto expressly agree that there are no oral or other agreements, conditions, promises, covenants, representations or inducements between them in addition to or at variance with any of the terms hereof, and that this Agreement represents the voluntary and clear understanding and intent of both parties thoroughly and completely.

Dated at __________________________, New York, this _____ day of______________________________, 1936.

Witness:

______________________________

(Member)

OTSEGO FOREST PRODUCTS COOPERATIVE ASSOCIATION, INC.

Witness:

______________________________

(Member)

By

______________________________

(Title)

Member’s address __________________________ Telephone No. __________________

Approximate Number of acres of forest land __________________________