

The Farmer's Cooperative Yardstick: General Guidelines for Writing Co-op Articles of Incorporation

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General Guidelines for Writing Co-op Articles of Incorporation

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So you and your neighbors have determined that a cooperative is needed to market agricultural products; to supply production inputs; to provide members with services such as credit or insurance or to provide a combination of these functions. You have followed suggested organizational procedures, and charter members have voted to proceed with organizing a cooperative. Kentucky Revised Statutes (Chapter 272) provides the legal basis for you to follow in drafting your articles of incorporation.

According to the Kentucky Revised Statutes (272.131), the articles of incorporation shall state:

1. The name of the association;
2. The purpose for which it is formed;
3. The place where its principal business will be transacted;
4. The period of duration, which may be perpetual;
5. The names and addresses (not less than five) of those who will serve as directors for the first term or until the election of their successors;
6. If the co-op is organized without capital stock, then the articles must explain how each member's property rights and interest will be determined;
7. If organized with capital stock, the amount of the stock and the number of shares into which it is divided and the par value thereof. Stock can be divided into common or preferred. The articles should also designate voting and non-voting stock.
8. The articles may also contain provisions for management, regulation, government, financing, indebtedness, membership, the establishment of voting districts, the election of delegates for representative purposes, the

issuance, retirement and transfer of stock (if organized with capital stock) or any provisions about the way the association operates with respect to its members, officers or directors.

9. The articles of incorporation must be subscribed by the incorporators and acknowledged by one of them before an officer authorized by the law of Kentucky to take and certify acknowledgements of deeds and conveyances; and shall be filed and recorded to corporations generally. A copy of the Articles of Incorporation, endorsed by the Secretary of State with the fact and time of recording in his office, should be filed with the Dean of the College of Agriculture of the University of Kentucky and with the Commissioner, Department of Agriculture.

Sample: Articles of Incorporation

Articles of Incorporation of _____ Cooperative Association

We, the undersigned, all of whom are residents and citizens of the State of Kentucky, engaged in the production of agricultural products, do hereby voluntarily associate ourselves together for the purpose of forming a cooperative association without (with) capital stock, under the provisions of the Kentucky Revised Statutes (Chapter 272) of the Commonwealth of Kentucky.

Article I - Name

The name of the association shall be _____ Association.

Article II - Purposes

The association is organized for one or more of the following purposes (select those that are appropriate):

1. to engage in the production, harvesting, marketing, selling, preserving, drying, processing, canning, packing, storing, handling, shipping or utilization of the agricultural products owned, leased, handled or marketed by its members and other farmers, or with the manufacture of marketing by-products thereof;
2. to manufacture, sell, or supply its members and other farmers with machinery, equipment or supplies;
3. to finance the activities listed above;
4. to provide economic or educational services, on a cooperative basis for those engaged in agriculture.

Article III - Powers, Limitations

Section 1. Powers.

This association shall have the following powers (select those that are appropriate):

- a. To engage in those activities Outlined in Article 2.
- b. To borrow money without limitation as to amount of indebtedness, and to make advances to members and others.
- c. To buy, lease, hold and exercise all privileges of ownership, over such real or personal property as may be necessary or convenient for the conduct and operation of the business of the association, or incidental to it.
- d. To draw, make, accept, endorse, guarantee, execute and issue promissory notes, bills of exchange, drafts, warrant, certificates and all kinds of obligations and negotiable or transferable instruments for any purposes to further the objectives for which the association is formed. Also, to give a lien on any of its property as security for any of the obligations listed above.
- e. To acquire, own and develop any interest in patents, trademarks, and copyrights connected with or incidental to the business

of the association.

- f. To have and exercise, in addition to the foregoing, all powers, privileges and rights conferred on ordinary corporations and cooperative marketing associations by the laws of the Commonwealth of Kentucky.

Section 2. Limitation.

The cooperative shall not market non-members' products having more value than the value of the products marketed for members. It shall not purchase supplies and equipment for non-members for more value than the value of supplies and equipment for persons who are neither members nor producers of agricultural products in an amount the value of which exceeds 15% of all purchases. Business done for the United States or any of its agencies shall be disregarded in determining the limitations imposed by this section.

Article IV - Place of Business

The association shall have its principal place of business in the city of _____, County of _____, State of _____.

Article V - Period of Duration

The term for which this association shall exist is ____ years from the date of its incorporation.

Article VI - Directors

The number of directors of this association shall be ____ . Of the first elected board of directors, ____ shall be elected for 1 year; ____ for 2 years; and ____ for 3 years; and after that, all directors shall be elected for 3 years. The names and addresses of those serving as incorporating directors until the first annual meeting of the members or until their successors are elected and qualified are:

Name	Address
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Article VII - Membership

This association shall not have capital stock, but shall admit applicants to membership in the association upon such uniform conditions as may be

prescribed in its bylaws. This association shall be operated on a cooperative basis for the mutual benefit of its members as producers. Membership in the association shall be restricted to producers and associations of producers who shall patronize the association.

The voting rights of the members of the association shall be equal and no member shall have more than one vote upon each matter submitted to a vote at a meeting of the members.

The property rights and interests of each member in the association shall be unequal; and shall be determined and fixed in the proportion that the patronage of each member shall bear to the total patronage of all the members with the association. But, in determining property rights and interests, all amounts allocated to each patron or evidenced by certificates of any kind shall be excluded, and, upon dissolution, the equity interests of members and patrons shall be determined as provided in the bylaws. New members admitted to membership shall be entitled to share in the property of the association in accordance with the foregoing general rule.

In testimony whereof, we have hereunto set our hands this ____ day of _____, 19 __ State of _____ County of _____ .

Before me, a notary public, within and for said county and state, on this _____ day of _____, 19__, personally appeared known to me to be one of the identical persons who executed the within and foregoing instrument, and he acknowledged to me that he had executed the same as his free and voluntary act and deed for the uses and purposes therein set forth.

Witness my hand and official seal the day and year above set forth.

Notary Public

In and for the County _____, State of _____.
My Commission expires _____.

Other Publications about Cooperatives

The organization and operation of a successful cooperative requires detailed information, above average managers and informed, concerned decision makers. To help your cooperative succeed, the Kentucky Cooperative Extension Service publications will be available through your local Extension office.

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