

Model Cooperative Articles and Bylaws

In early 2015, members of the Legal, Tax and Accounting (“LTA”) Committee began work on a set of model Bylaws for cooperatives to serve as guidance for the members of the National Council of Farmer Cooperatives (“NCFC”). This volunteer committee consists of experienced professionals, including Dorsey’s Dave Swanson, who work with or for NCFC’s member cooperatives. Assigned to a working group, Dave was responsible for reviewing the consent and authorized capital stock and equity articles of the Bylaws. The final work product, a comprehensive study of cooperative Articles of Incorporation and Bylaws, including commentary on tax, securities, membership eligibility, voting rights, board composition, escheat, operating on a cooperative basis, and other topics, will be presented at the NCFC’s 2018 Annual Meeting, scheduled to take place on February 7, 2018, and can be found [here](#).

Articles of Incorporation enable a cooperative to operate as a legal entity, while Bylaws lay out how the cooperative will be governed and provide a detailed description of the internal operations and structure of the cooperative. Thus, properly drafting Articles of Incorporation and Bylaws is critical to defining the structure of the cooperative and the legal relationships among the cooperative and its members. Unfortunately, many cooperatives use poorly drafted standard forms, and fail to give careful thought to the provisions written into the Articles of Incorporation and Bylaws, which will have an effect on how the cooperative will be viewed regarding taxes, employment law, securities law, and more.

The LTA Committee highlights applicable principles, outlines the specific issues and provides potential solutions to be considered when drafting Bylaws acknowledging that specific content will vary depending on what functions the co-op will perform. Membership requirements will also vary depending on whether the co-op is organized with or without capital stock.

Related Capabilities

- Cooperative Law
- Food, Beverage & Agribusiness