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Agricultural Cooperative Formation:

Arizona



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Section 10-2005 – Powers of Association

An association incorporated under this article may:

1. Engage in any activity in connection with the manufacturing, marketing, harvesting, processing, storing, handling or utilization of products or services, or the providing of labor, or in connection with the purchase, hiring or use by its patrons of supplies, machinery or equipment, or in the financing of any such activities, but the associations shall not deal in the products of nonmembers to an amount greater in value than that of products handled for members.
2. Borrow money and make advances on products delivered.
3. Act as the agent or representative of any member or patron in such activities.
4. Acquire, hold, own and exercise all rights of ownership in, and sell, transfer or pledge shares of the capital stock or bonds, or become a member or a stockholder of any corporation or association engaged in a related activity or in the handling, marketing or financing of any products handled by the association, but stocks, bonds or other securities owned by a subsidiary may not be pledged, sold or otherwise disposed of until thirty days notice has been given to all members of the association in the manner provided by its bylaws. Such stock, bonds and other securities of a subsidiary may be placed with the state treasurer for safe keeping, and he shall not surrender them until proof of notice as required by this article has been given.
5. Establish reserves and invest the funds thereof in stocks and bonds of any corporation or association engaged in a related activity, or in the handling, marketing, processing or financing of the products handled by the



association, or in such other property as the board of directors of the association deems satisfactory.

6. Do any act necessary to carry out the specific powers conferred by this article, and do such acts within or without the state.

7. Possess the powers, rights and privileges of corporations organized under the general law of the state, unless inconsistent with this article.

8. Engage in any activity in connection with the marketing or distribution of manufactured goods for import and export purposes or the providing of labor, in connection with the purchase, hiring or use by the association's patrons of supplies, machinery or equipment, or in connection with the financing of any such activities, but the association may not deal in the products of nonmembers to an amount greater in value than that of products handled for members.

9. Engage in any activity involving the harvesting, processing, storing, handling or use of products for the production, manufacturing and sale of products or services or the providing of labor, in connection with the purchase, hiring or use by the association's patrons of supplies, machinery or equipment, or in connection with the financing of any such activities, but the association may not deal in the products of nonmembers to an amount greater in value than that of products handled for members.

10. Raise equity from nonprofit investors and patron members.

Section 10-2004 – Articles of Incorporation; Amendments

A. Articles of incorporation shall be filed setting forth:

1. The name of the association.

2. The purposes for which it is formed.

3. The place where its principal business will be transacted.

4. The term for which it is to exist.

5. The number of directors thereof, which shall not be less than five, and their term of office.

6. A statement indicating whether the association will be a for-profit association or a nonprofit association.



7. If the association will be a for-profit association and will have capital stock, a statement indicating the number of shares that the association is authorized to issue.

B. The articles shall be subscribed and filed in accordance with the provisions of general corporation law.

C. The articles of incorporation may be altered or amended at a regular meeting, or at a special meeting called for that purpose, by the affirmative vote of a majority of the active members of the association, and on at least thirty days' notice in writing of the proposed alteration or amendment. Amendments to the articles when adopted shall be filed as required by law.

Section 10-2004 – Bylaws; Renewal Upon Expiration of Contract Period

A. Each association shall within thirty days after incorporation adopt bylaws. A majority vote of the members or their written assent is necessary to adopt such bylaws. The bylaws may provide for:

1. The time, place and manner of calling and conducting meetings.
2. The number of members constituting a quorum.
3. The right of members to vote by proxy, by mail or by both methods, and the conditions, manner, form and effect of the votes.
4. The number of directors constituting a quorum.
5. The qualifications, compensation, duties and term of office of directors and officers, time of their election and the manner of giving notice of the election.
6. Penalties for violation of the bylaws.
7. The amount of entrance, organization and membership fees, if any, the method of collecting them and the purposes for which they may be used.
8. The annual dues or assessments.
9. The charge to be paid by each member for services rendered by the association to him, the time of payment and the manner of collection.
10. The marketing contract between the association and its members, which every member may be required to sign.
11. The number and qualification of members of the association and the conditions precedent to membership.



12. The method, time and manner of permitting members to withdraw.
13. The manner of assignment and transfer of the interest of members.
14. The conditions upon which, and time when membership of a member shall cease.
15. The automatic suspension of the rights of a member when he ceases to be eligible to membership, and the manner and effect of the expulsion of a member.
16. The manner of determining the value of a member's interest, and providing for purchase of such interest by the association upon his death, withdrawal, expulsion or forfeiture of membership, at the option of the association.
17. If members are to be accorded unequal voting rights, the manner of determining the number of votes to which each member is entitled.

B. Upon termination of each contract period, the board of directors of the association may renew or revise the bylaws to be in effect for the next contract period, and the renewal or revision shall be the bylaws of the association after thirty days notice has been given to the members, unless more than fifty per cent of the members of the association have filed objections thereto in writing, except that when property rights of the members are affected, section 10-2007 shall apply.

Section 10-2011 – General Powers of Directors; Election; Compensation

A. The affairs of the association shall be managed by the board of directors elected by the members from their number. The bylaws may provide that the territory in which the association has members be divided into districts and that the directors be elected according to such districts. If the territory is so divided the bylaws shall also specify the number of directors to be elected by each district, the manner and method of apportioning the directors and of dividing the territory into districts. The bylaws may provide that primary elections be held in each district to elect the directors apportioned to the districts, and the result of such elections shall be ratified by the next regular meeting of the association. The bylaws may further provide that additional directors be elected at large and the manner of their election.

B. The association may provide a fair remuneration for the time actually spent by its officers and directors in its service.

C. If a vacancy on the board occurs other than by expiration of term, the remaining members by a majority vote shall fill the vacancy.

Section 10-2008 – Eligibility for Membership

Under the terms and conditions prescribed in its bylaws, an association may admit as members persons engaged in production of the products or



services to be handled by or through the association, including lessees and tenants of land used for production of such products, lessors and landlords who receive as rent part of the crop raised or products created on the leased premises and persons or corporations regularly engaged in financing such production of commodities.

Section 10-2018 – Investments; Limitation; Disposition of Profits

A. An association may organize, form, operate, own, control, have an interest in, own stock of or be a member of any other corporation, with or without capital stock, engaged in processing, handling, utilizing, manufacturing, marketing, financing or selling products or services handled by the association, or the by-products thereof.

B. Profits or income received from the investments provided for in subsection A may be added to the reserves of the association to be distributed or handled according to the discretion of the board of directors.

C. An association may enter into agreements and arrangements with another cooperative corporation or association formed in this or any other state for the cooperative and more economical carrying on of its business, or any part thereof. Any two or more associations may by agreement unite in employing and using the same methods, means and agencies for conducting their businesses.

Section 10-2020 – License and Other Fees; Tax Exemption

Each association shall pay a nonrefundable annual license fee of ten dollars. A nonprofit agricultural products association formed pursuant to this article shall be exempt from all franchise or license taxes imposed on its income. Each association shall pay a nonrefundable fee of ten dollars for filing articles of incorporation and a nonrefundable fee of two dollars fifty cents for filing an amendment to the articles. All other for-profit association filing, service and copying fees are determined pursuant to section 10-122 and all other nonprofit association filing, service and copying fees are determined pursuant to section 10-3122.

