



# The National Agricultural Law Center

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Agricultural Cooperative Formation:

*Oklahoma*



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# A National Agricultural Law Center Research Publication

## Agricultural Cooperative Formation: Oklahoma

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### [Okla. Stat. tit. 2, §§ 17-1 to 17-24](#)

#### **Section 2-17-5 – Purposes and Objects for Which Associations May be Organized**

An association may be organized pursuant to the Cooperative Marketing Association Act to engage in any activity in connection with:

1. The marketing or selling of agricultural products;
2. The harvesting, preserving, drying, processing, blending, canning, packing, grading, storing, warehousing, handling, shipping, or utilizing of agricultural products;
3. The manufacturing, marketing, selling or supplying of the byproducts thereof;
4. The manufacturing, selling, or supplying of machinery, equipment, feed, fertilizer, seeds, or buying and selling oil, gasoline, or other supplies;
5. The financing of any of the enumerated activities specified by this section;
6. The performing or furnishing business or educational services on a cooperative basis for those engaged in agriculture as bona fide producers of agricultural products; or
7. Any one or more of the activities specified in this section.

#### **Section 2-17-6 – General Powers**

Each association incorporated pursuant to the Cooperative Marketing Association Act shall have the power to:



1. Act as an agency for or subsidiary of or to assist cooperative associations formed pursuant to the Cooperative Marketing Association Act or similar acts in any of the activities authorized in Section 17-5 of this title and to act as a holding corporation of the properties of the associations;

2. Make all necessary and proper contracts and agreements with any other association formed in this or any other state, or in connection with any other association in this or any other state, or unite in employing and using, or separately to employ and use the same methods, means, and agencies which may be used by another association for carrying on and conducting the respective businesses of the associations;

3. Act as the agent or representative of any member or members in any lawful activity;

4. Make loans or advances to members or producer patrons or to the members of an association which is itself a member;

5. Accept any kind, form, or type of obligation or security, therefore to purchase, endorse, discount, or sell any note, draft, bill of exchange, debenture, bill of sale, mortgage, or other obligations acquired by it, the proceeds of which have been advanced or used in the first instance for any of the purposes provided for in the Cooperative Marketing Association Act; discount for or purchase from any association, organized under the laws of any state with or without its endorsement, any note, draft, bill of exchange, debenture, bill of sale, mortgage, or other obligation the proceeds of which are advanced or used in the first instance for carrying on any cooperative activity authorized pursuant to the Cooperative Marketing Association Act and to dispose of same with or without endorsement. An association organized pursuant to the Cooperative Marketing Association Act and exercising any of the powers provided in this paragraph shall not engage in the business of banking;

6. Establish and accumulate reserves including a permanent surplus fund as an addition to capital; invest the reserves either directly or by means of subsidiary or affiliated associations or other corporations in real estate or other property for carrying out the purpose of the association, provided no real property investments shall be made except for the purpose of leasing or acquiring title to real property necessary for use in the conduct of the primary business of the association, or the reserves may be deposited or invested in securities as the bylaws may provide;

7. Purchase or acquire, hold, own, and exercise all rights of ownership in, and to sell, transfer, pledge or guarantee the payment of dividends or interest on, or the retirement or redemption of, shares of capital stock, bonds, or other obligations of any corporation or association, engaged in any directly or indirectly related activity, or in the production, warehousing, handling, or marketing of any of the products handled by the association;



8. Buy, hold, and exercise all privileges of ownership over real or personal property, as may be necessary or convenient for the conduct and operation of any of the business of the association, or incidental thereto;

9. Borrow money from any source without limitation as to amount of corporate indebtedness or liability, with authority to give any form of obligation or security therefor;

10. Establish and secure, own and develop patents, trademarks, and copyrights;

11. Deal in products, handle machinery, equipment, or supplies, or perform services for or on behalf of nonmembers to an amount not greater in value during any fiscal year than are dealt in, handled, or performed by it for, or on behalf of its members during the same period;

12. Do each and everything necessary, suitable, or proper for the accomplishment of any one of the purposes, or the attainment of any one or more of the subjects enumerated and authorized by the Cooperative Marketing Association Act, or conducive to or expedient for the interest or benefit of the association, and to contract accordingly; and

13. Exercise and possess all powers, rights, and privileges necessary or incidental to the purposes for which the association is organized, or the activities in which it is engaged; and any other rights, powers, and privileges granted by the laws of this state to ordinary business corporations, except as are inconsistent with the express provisions of the Cooperative Marketing Association Act.

### **Section 2-17-7 – Articles of Incorporation; Contents; Execution, Acknowledgment and Filing; Evidence**

A. The incorporators of an association to be formed pursuant to the Cooperative Marketing Association Act must prepare and file Articles of Incorporation setting forth:

1. The name of the association which may or may not include the word "cooperative";

2. Its purposes;

3. Its duration;

4. Its principal place of business in the state;

5. The name and post office address of each of the incorporators;

6. The names and addresses of those who are to serve as incorporating directors for the first term, or until the election and qualifications of their successors;



7. If organized without capital stock, whether the property rights and interests of each member are to be equal or unequal. If unequal, the Articles of Incorporation shall include the general rule applicable to all members by which the property rights and interests respectively of each member shall be determined and provision for the admission of new members who shall share in the property of the association in accordance with the general rule; and

8. If organized with capital stock, the amount of the stock and the number of shares into which the capital stock is to be divided; whether all or part of the capital stock shall have par value, and if so, the par value thereof. If there is to be more than one class of stock created, the Articles of Incorporation shall include a description of the different classes, the number of shares in each class, the relative rights, interests, and preferences each class shall represent, and the dividends, which may be cumulative, not exceeding eight percent (8%) per annum, to which each share shall be entitled.

B. The Articles of Incorporation may contain any provision consistent with law with respect to management, regulation, government, financing, indebtedness, membership, the establishment of voting districts, and the election of delegates for representative purposes, the issuance, retirement and transfer of its stock, if formed with capital stock, or any provision relative to the way or manner in which it shall operate with respect to its members, officers, or directors, and any other provisions relating to its affairs.

C. The Articles of Incorporation must be subscribed by the incorporators and acknowledged by one of them before an officer authorized by the law of this state to take and certify acknowledgments of deeds and conveyances and shall be filed with the Oklahoma Secretary of State. When filed, the Articles of Incorporation, or certified copies of the Articles of Incorporation, shall be received in all courts of this state as prima facie evidence of the facts contained therein and of the due incorporation of the association.

### **Section 2-17-10 – Bylaws; Adoption; Amendment of Bylaws; Subjects Which May be Regulated**

A. Each association incorporated pursuant to the Cooperative Marketing Association Act shall adopt bylaws consistent with the Cooperative Marketing Association Act within thirty (30) days after its incorporation. A majority of the members voting on the bylaws is necessary to adopt the bylaws. Each shareholder or member shall be entitled to one vote, and no more, irrespective of the number of shares owned or patronage.

B. The bylaws shall provide for their amendment by the members and the method by which amendments may be adopted. The bylaws may include, but are not limited to:



1. The time, place, and manner of calling and conducting its meetings, which meetings, and the meetings of its directors, may be held either in or outside the state;
2. The number of members constituting a quorum;
3. The right of members to vote in person, by proxy, or by mail at general or special meetings; and the conditions, manner, form, and effects of these votes;
4. The number of directors constituting a quorum;
5. The number, qualifications, compensation, duties, and term of office of directors and officers; the time of their election and the mode and manner of giving notice thereof;
6. Penalties for violations of bylaws;
7. The amount of entrance, organization, and membership fees, if any; the manner and method of collection of the fees, and the purposes for which the fees may be used;
8. The amount which each member shall be required to pay annually or from time to time, if at all, to carry on the business of the association; the charge, if any, to be paid by each member for services rendered by the association to such member and the time of payment and the manner of collection; and marketing contract between the association and its members which every member may be required to sign; and
9. The number, qualification, and voting rights of members of the association and the conditions precedent to membership; the method, time, and manner of permitting members to withdraw or to transfer their stock; the manner of assignment and transfer of the interest of members; the mode, manner, and effect of the expulsion of a member; the manner of determining the value of a member's interest and provision for its purchase by the association upon the death or withdrawal of a member or upon the expulsion of a member or forfeiture of membership.

#### **Section 2-17-15 – Board of Directors**

A. The association shall be managed by a board of not less than five or more than twenty-one directors elected by the members of the association. The directors shall be qualified as may be provided for in the Articles of Incorporation or bylaws.

B. All of the directors shall be members of the association or officers, directors, or members of member associations.

#### **Section 2-17-16 – Officers**

A. The officers of each association established pursuant to the Cooperative Marketing Association Act shall be a president, one or more



vice-presidents, a secretary and a treasurer and other officers as may be authorized in the bylaws.

B. The president and at least one of the vice-presidents must be directors of the association, unless the bylaws of the association provide to the contrary.

C. The office of secretary and treasurer may be combined.

D. Officers shall be elected by the directors in the manner and for terms as provided by the bylaws.

### **Section 2-17-11 – Membership in Associations; Termination and Transfer of Memberships; Liability for Debts**

A. Under the terms and conditions prescribed in the bylaws adopted by it, an association may admit as members, or issue common stock to only cooperative associations and/or persons engaged in the production of agricultural products to be handled by or through the association, including the lessees and tenants of land used for the production of agricultural products and any lessors and landlords who receive as rent all or part of the crop raised on the leased premises.

B. An association organized pursuant to the Cooperative Marketing Association Act may become a member or stockholder of any other cooperative association organized in this or any other state.

C. A member shall lose membership and voting rights if the member ceases to belong to the class of persons eligible for membership pursuant to this section, however, such member shall remain subject to any liability already incurred by such member as a member of the association. Upon the death of a member and the deceased member's estate ceasing to belong to the class of persons eligible for membership pursuant to this section, the deceased member's estate shall be entitled to receive from the association, within three (3) years after the latter of the member's death or the member ceasing to be a member, the value of the membership interest in the association subject to the conclusive appraisal by the board of directors. If the association approves the member's designation of a transferee of the membership interest, the association shall be under no obligation to pay the transferor the value of the interest.

D. Except for debts lawfully contracted between a member and the association, no member shall be liable for the debts of the association to any amount exceeding the sum remaining unpaid on the subscription to membership of the member.

### **Section 2-17-12 – Certificates of Membership or Stock Certificates; Transfer; Preferred Stock**

A. When a member of an association has paid the membership fee or stock subscription in full, the association shall issue a certificate of





membership or a stock certificate to the member. The association may establish a policy of maintaining physical possession of the original certificates.

B. No association shall issue membership certificates or stock until they have been fully paid for, but an association in its bylaws may admit a member and allow the member to vote and hold office as soon as twenty percent (20%) of the membership fee or stock certificate has been paid.

C. Ownership of common stock, certificates of indebtedness, or membership certificates may be transferred by a member only to other associations or to persons engaged in the production of agricultural products, and who are eligible to hold same. The transfer must be approved by the board of directors before it is binding on the association.

D. 1. An association may issue and sell preferred stock to members or nonmembers. Preferred stock may be redeemable or retirable by the association on terms and conditions as may be provided by the bylaws and printed on the stock certificate. Preferred stockholders shall not be entitled to vote.

2. Whenever an association organized pursuant to the Cooperative Marketing Association Act with preferred stock shall purchase the stock or any interest in any property of any person it may discharge the obligation so incurred wholly or in part by exchanging for the acquired interest shares of its preferred stock to an amount which would equal the fair market value of the stock or interest so purchased as determined by the board of directors.

### **Section 2-17-23 – Licensing and Taxation**

Each association formed pursuant to the provisions of the Cooperative Marketing Association Act shall be subject to and comply with the laws relating to the licensing and tax of other like corporations or associations.

