

# **How to Establish a Cooperative: A Case Study of the Oklahoma Food Cooperative.**

**Zvi Galor**

**[www.coopgalor.com](http://www.coopgalor.com)**

## **1. Introduction**

This paper will try to illustrate and to explain how to establish a new cooperative. The paper is based on an exchange of e-mails, between Robert Waldrop from Oklahoma, during the months of February 2003 and myself. The exchange of e-mails continued during the last year, up to the beginning of the second part of year 2004.

The idea of Robert was to create a new cooperative, different than the existing models in his country. He asked to help him if there is, any where, a model similar to what he was after, in order to help him to establish his own.

This paper is trying to describe the story of the establishment of this cooperative, the "Oklahoma Food Cooperative". The creation of this cooperative started in the beginning of year 2003, by a person,

named Robert Waldrop, who had a vision of as how to organize concerned consumers, citizens of the state of Oklahoma, who are looking to purchase their needs at the lowest possible price and at the best possible quality, and at the same time to organize in this cooperative producers who are citizens of Oklahoma state and who will wish to sell their produce to the customers of the cooperative at the higher possible price and at the same time at the best possible quality. He thought that the establishment of a Food Cooperative in the Oklahoma state would turn his vision into reality.

The basic characteristics of this cooperative are:

- The members are consumers and producers of the state of Oklahoma.
- They are looking to find the way as to how the desire to purchase consumer goods, on one hand side, and the desire to sell local made produces, on the other hand, would meet.
- They would form a cooperative, where both consumers-customers and producers would be members.
- The cooperative will render the best possible service to its members. The cooperative will not realize any profit or surplus. So, the cooperative will strive that members producers would get the highest possible price for their produce, and that the members

consumers would pay the lowest possible price for their purchases.

- The cooperative will sell-allocate one share capital to each member, no more and no less. The value of the share would reflect the value of the cooperative divided by the number of members in the cooperative at any time.

- The cooperative monthly income will come from the charge on members transactions, proportionally to their participation, and will cover the total operations of the month exactly. The cooperative, as an approach, will not generate any surplus out of its activities.

- The elaboration of a legal framework, unique of its genre to the cooperative world in the USA and in Oklahoma state, to the creation and existence of this cooperative.

This paper is trying to describe the process which the cooperative has gone through from vision to reality. It is based, as mentioned above, on discussions, made through e-mails exchange, between Robert and myself since February 2003 and on. At the beginning, the exchange was intensive, and latter on, according to needs.

This cooperative, which exists and operates already a

year now, and started in 2003, is a unique in its genre.

## **2. The first step - The Concept itself.**

In his first e-mail Robert described what he wants to create:

“ A group of folks have come together here in Oklahoma to organize a series of retail food cooperatives that only sell food produced here in Oklahoma. Think of a farmers market, only open 7 days a week, 12 hours a day. Both producers and consumers will be members of the cooperative.”

He explained the mechanism, as he sees it, on how the cooperative will be functioning, since it is composed of two groups: the producers and the consumers as members.

“ Products will be stocked in the cooperative by the farmers/ranchers on consignment, and the cooperative will receive a commission on the sale of the products. In addition, consumers and producers will pay an annual fee to shop/stock at the cooperative.”

Then he designs the major characteristics of the cooperative.

- The cooperative goal is to best serve its members.
- No profit would be generated by the cooperative.
- No dividends will be distributed, as this is not the purpose of the creation of this cooperative.

“ We do not see the cooperative's goal as making a profit that will then be distributed via dividends, but rather the benefit that the cooperative provides its members is a ready and available marketplace for Oklahoma products. ”

And then, Robert adds and asks for assistance from those who may have similar experience or knowledge about the model he is about to create.

“My question is: has anything like this happened anywhere else? Or have we hoped right out of the box into something new?”

I sent an e-mail to Robert. I have had some experience in this type of cooperatives Robert was looking for, and many of my papers were dealing with this model of cooperative. In this mail I asked Robert some questions in order to clarify the terms and the basis for any further discussions.

The questions I asked Robert were:

- The issue of ownership. Who are the owners of the cooperative in question.
- Who are going to be the members of this cooperative.

Robert’s major idea was to organize together, as members, the food producers from Oklahoma state in the USA, and the consumers, who will purchase this production, and are also from the same state.

The question comes when knowing that most cooperatives in the world are organized, either by consumers as the members, or by producers as the members. In his case Robert has tried to bring together the two, quite opposite, groups of members.

I wrote to him:

“ If the cooperative is to render service to producers, that means it supposes to be owned by them, and it should strive to sell the produce at the highest possible selling price.

If the cooperative is to render service to consumers, that means it supposes to be owned by the consumers, and to strive to sell to members at the lowest possible price. ”

Initially, we are speaking about two groups of future members with opposite interest in the same cooperative. Here comes also the issue of ownership. Would the cooperative belong to producers or to consumers.

Robert explained to me his concept. This time he has expanded the explanations of his idea on how this cooperative would works.

He wrote:

“ We’ve talked about this issue a bit (the divergent interests of consumers and producers) but we find that both the consumers and the producers have a common ground in the need for a marketplace, not in the generic sense, but meaning an actual

physical location opens seven days a week, 365 days a year, 12 or so hours a day.

The producers will stock the store on consignment, and set their own prices. Thus, the cooperative will not be buying products to sell, it will be in the "business" of providing a marketplace for producers and consumers to meet in. Producers will probably compete, within the store, with each other, just as in a regular grocery store, brands compete. We expect we will have, in any given category of grocery goods, several different producers, some with more expensive, some with less expensive, products. ”

The cooperative, Robert wants to create, would be an intermediary tool between the Oklahoma producers, on one hand side, and the Oklahoma consumers on the other side.

The competition will be among producers on the ground of supply varieties, quality of products, seasonal offers, and prices. The consumers will decide which products and from which producers they will purchase.

## **2.1 Typology of cooperatives.**

I asked Robert the questions I detailed above, since I see, when coming to distinguish among cooperative types, quite a gap between consumers cooperative and producers cooperative. According to my approach to cooperatives classification, cooperatives

are divided into two major groups.

- Cooperatives where members are users.
- Cooperatives where members are non-users.

1. cooperatives where 'members are users' are Consumers cooperatives, Saving and Credit cooperatives, Inputs Supply cooperatives, Insurance cooperatives, Housing cooperatives.

In these cooperatives the following characteristics exist:

- a. The number of members is not limited. Members get from these cooperatives the best possible service at the lowest possible price.
- b. The members are not employed in and by the cooperative.
- c. The value of the property share capital is relatively low. Large number of members divided by relatively smaller fixed assets value = a low value of property share capital.

2. Cooperatives where 'members are non-users' are Producers cooperatives, Transport cooperatives, Construction cooperatives.

In these cooperatives the following characteristics exist:

- a. The number of members is limited to the number of existing employment in these cooperatives. Members get from these cooperatives Employment

and Income.

b. The members are employed in and by these cooperatives.

c. The value of the property share capital is relatively high. Relatively high value of fixed assets divided by smaller number of members = high value of property share capital .

### **3. The second Step - Understanding What is a Cooperative.**

In line with the thinking of Robert, I walked further more, and tried to come together to a mutual understanding of what is a cooperative.

I wrote to him:

“ What is a cooperative? My definition is as follow: Cooperative is an economic enterprise, created by individuals, who have come to realize that alone they are unable to achieve what they are looking for. Each one of them is ready to give up part of his individualism and to collaborate with the others, who also come to understand that alone they are unable to reach what they are looking for, and also ready to give up and to collaborate. They together are creating the cooperative - an economic enterprise which would render them what they are looking for, a product or a service or employment, at the lowest possible cost and at the best possible service. ”

#### **3.1 The first leg - the ownership**

There are some other very important components come to the understanding of what is a cooperative. The cooperative can be described as an economic entity standing on two legs. The first leg concern how a person becomes a member. The person pays the real value of one property share, and only one property share. So the first leg was described by me:

“ The cooperative belongs and is equally owned by its members. The ownership of members is expressed for them, by having each one, one property share capital. This property share capital is the expression of the relative ownership of each member of the cooperative.

The property share capital value is kept in the books of the cooperative in its real value. In other words: In every minute of the life span of the cooperative, the total real value of the fixed assets of the cooperative is divided by the existing number of members of the cooperative, and the results is the real value of the one property share capital of each member.”

The second point to mention, about this leg, is how a member does finance the purchasing of his property share.

I wrote to Robert:

“ The members pay equally, either by cash payments or via credit obtained for them by the cooperative, to which the members are responsible to refund, for the purchase of their, one per member, property share capital. ”

### **3.2 The second leg - the participation**

Here comes another component of the understanding of what is a cooperative, and the relations between the cooperative and its members.

“ The members pay for participation in the business of the cooperative not equally, but according to their level of participation. To this point, I think, you would agree, since, if I understand well, you are proposing it, as well, in your explanations. ”

### **3.3 Few further words on participation**

Now comes a very particular characteristic of the model Robert is proposing. Robert wishes that in this cooperative consumers and producers would be members together. I wrote to him, trying to explain, why it is quite problematic.

“ The cooperative is looking to render the best possible service to its members, at the lowest possible cost. This means that the cooperative charging members for their participation. But, in your case - there exists two kinds of participation, the one of producers and the other of consumers. ”

So, the problem is, for the consumers, that the cooperative would look to decrease the selling price as low as possible, and for the producers the cooperative would look to increase the selling price as high as possible.

There exists another issue here. The cooperative should cover its operational expenses by charging members for their participation.

I wrote:

“ The cooperative should charge the members a sum which will cover exactly the total operational expenses of the cooperative. The cooperative will not charge members for clauses, such as surplus ( profit), and especially not to reserve funds, interest on share capital, or education funds. These expenses should be covered, when necessary, by all members equally, so these funds belong to the first leg. Surplus, charging of members and creation of fixed assets, is a way of wasting good money of members for no reason. ”

So, the cooperative exists to serve its members at the best possible way, and at the lowest possible cost. In our example, it applies to both groups of membership. The basic formula of the operation of the cooperative will be based of an equation which will put on one side the total of the expenses of the cooperative, and on the other side of the equation the total of its income.

In the case of the consumers, the cooperative would sell to them at the lowest possible selling price in order to cover it outgoings. This is the best possible service to members consumers.

In the case of the producers, the cooperative should sell their produce at the highest possible selling price,

in order to create the income, which will cover the operating expenses and the remaining will go to the producers pockets.

### **3.4 Some calculation about ownership.**

In the next exchange Robert marches one step forward. He is trying to understand the mechanism of the calculation of the creation of the fixed assets of the cooperative.

He asked:

“ But let me try to summarize what I think you are saying and describe our situation in those terms, to make sure I am learning this lesson correctly.

If we find 1500 people to buy a property share in our cooperative venture at \$50 each, the capital of the cooperative would be \$75,000 and each member's share would be valued at \$50. The setting of the value of the share at \$50 is based on our determination that we would need \$75,000 in fixed assets to open. (We haven't made that calculation yet, I am just using invented figures for the purpose of understanding the concept.) ”

I answered him with the following explanations:

“ This is the budget for the fixed assets and the property share capital value. In this example, each member owns one share capital of the value of 50\$. This share may go up in its value, or go down. The variables that determine its value are number of Members and the Real Value of the Existing Fixed Assets of the cooperative.

If the number of members is the same, and the value of fixed assets

is going up, the value of the share capital will go up. Assuming that the fixed assets of the cooperative are now worth 100.000 \$, the value of each member share would be this amount divided by the 1500 members, and it equals to ~66\$. It goes the same as if the value of fixed assets would go down, the number of members remains the same, the value of the share would go down as well. If the value of fixed assets will remain the same but the number of members would increase or decrease, the value of the share capital will go in the same logic, either up or down. ”

And I added explanations to another point asked by Robert:

“Yes the value of the property share capital may contain as well "good will, reputation, size of the cooperative", according to the decision of members. I limit my initial explanations to fixed assets, since it is the easiest way to digest it at first.”

### **3.5 Some calculations about the operations of the cooperative**

Now Robert is trying to tackle the issue of the budget of the operations of the cooperative. He presented the following situation:

“ If we also figure that we would need an additional \$75,000 in startup funds for the property lease, initial payroll, deposits, utility connections, remodeling of the property, insurance, etc., we could finance that by borrowing \$50 from each member. ”

It should be noted here that Robert has followed here the idea of a need for two different legs to the existence of the cooperative. He speaks here about the money needed to pay the cost of the operations of the cooperative as a sum. It is understood now that this sum shouldn't be taken from members as part of share capital, but as a loan from them, and should be reimburse to them, principal and interest.

So, I wrote to him:

“ Yes, this is a very good way to start the finance of the operations of the cooperative.

Generally speaking, the cooperative should look for the cheapest source of finance for the operations of the cooperative. If you get a grant (Grant = a credit with zero interest rate, and not to be reimbursed), it is better. If you get zero rate of interest loan, it is better than a credit from a bank. Taking money from members as loan should follow this principle: Members should be offered a competitive rate of interest for their money, better than from any other source of lending for the cooperative, namely, the lower possible rate of interest on credit.

Competitive rate of interest means that the rate would be a bit higher than that offered to members by commercial banks on their fixed deposits. The members have, thus, supplementary motivation to lend their money to their cooperative. It is a good policy for the cooperative, since we may assume that the rate the cooperative pays to members would be below the rate it would be charged by commercial bank on credit. The cooperative should always look for the cheapest source of credit.

So the 75.000 \$ borrowed from members should be returned to them, with the appropriate rate of interest. ”

Robert continued and explained that in their planning, the total operation costs of the cooperative, would be covered by the members participation.

He wrote:

“ The expenses of the cooperative would be met solely with the commissions the cooperative earns on the sales, rather than charging annual fees to cover some of the overhead costs. ”

### **3.6 Some further explanations about the expansion of a cooperative.**

Robert continues the discussion and details his plans to expand the activities of the cooperative. The question is referring as how to move and to finance the expansion of the cooperative.

He wrote:

“ If our concept works in one store, we will certainly want to open more. If the membership had increased from 1500 to 6000, that would make another \$225,000 available as capital. Each new store costs \$150,000; \$75,000 for fixed assets and \$75,000 for startup operating expenses. ”

Robert is trying to develop the idea as to how to expand the cooperative. But, the way he proposes has a risk of mixing up the two legs mentioned above.

I answered him with a further explanation:

“ I don't believe in the mixing up of the two kinds of budgets. It is highly important to separate them.

We are taking in our explanation some possible situation when the number of members increases or decreases, or the value of the fixed assets increases or decreases.

First, we shall see the case when the number of members would increase, and the value of the fixed assets remains the same. The value of members property share capital will be decreased accordingly. The mechanism the cooperative applies when new members enter to the cooperative, and when existing members quit the cooperative is ditto.

The guiding principle is: the property share capital value is determined by the formula  $\frac{\text{Total real value of cooperative's fixed assets}}{\text{Existing number of members}} = \text{Value of the property share capital}$ , and its value is always kept in real terms ( Real terms = market price). ”

And I continued with some figures:

“A cooperative would like to expand its activities, and to establish a second store, the issue would be:

We have the existing members who are the founders of the existing store and who will be members of a new store together with new members. I believe that this is what you want. So, these existing members together with the new members have to pay the establishing of the new branch.

The calculation is very simple:

The real value of the total fixed assets divided by the total number of existing and new members = the value of one property share capital.

And in figures (imaginary ones):

The first store has 2000 members, and the value of the fixed assets is \$10.000.000 = the value of the property share is \$5.000.

The second shop will need fixed assets of \$2.000.000, and the

number of members would be increased to 3000 members at total.

The total Fixed Assets is \$12.000.000.

The number of members is 3000.

The value of the new property share capital will be \$4.000.

The result is that the veteran members are going to loose on their share value 1.000\$ each. What to do?

A very simple solution: Each one of them will receive \$1000 in cash back from the cooperative to compensate their loss. From

where the cooperative will take  $\$1000 \times 2000 \text{ Mem} = \$2.000.000$

The new members will pay each 4000\$ for the new value of the share capital.

1000 new members will pay each \$4.000 = \$4.000.000.

\$2.000.000 will go to establish the fixed assets of the new shop.

\$2.000.000 will go to compensate the veteran members.

I believe that this is justice, and much more efficient for the cooperative.”

Robert continued to ask:

“ This leads me to another question, what happens when someone leaves the cooperative? Would they then receive the value of their property share? ”

I answered him:

“ A member who would quit the cooperative will get his property share capital value according to its real value the moment he quits, as explained above. ”

In the case of the cooperative explained above, we have a cooperative with 4000 members and the value of the fixed assets is amount to \$12.000.000, and the

value of one property share capital is \$3000.

When this member quits the cooperative, one variable, the number of members, is changed. So, in our formula, the value of the property share capital is changed as well. In our calculation:

The 3999 members have now a property share capital, increase in almost one dollar, and of the value of  $\sim\%3001$ . They, each, should pay this difference to the one who quits the cooperative for the property he had left behind to them. So the member who quits will get the amount of \$4000, which is paid practically by the remaining members.

### **3.7 Real Value and depreciation.**

There is another issue to be emphasized: Real Value and Depreciation. I'll try to simplify my explanations and to leave it on more basic terms:

When we speak about fixed assets in a cooperative, we have to regard them on two levels: their real value and their book value.

The first to view is the book value.

This value is depreciated every year according to existing tax legislations. It is very important to follow it as for the tax benefits out of this practice, and may be some more advantages, which are not important to our discussion. This depreciation value exists only in the virtual world of accountancy, and not in the real

world.

What I mean by this is that it is possible that a certain fixed asset, which according to the books of our cooperative is depreciated in five years, and after five years, the book value is Zero. But, in the real world, its market value might be even higher than its original purchasing price (I know that this doesn't happen in the USA, but there are countries where high inflation prevails), or less than the purchasing price. But, still more than the book value.

So, in my approach, we deal only with the real value of the fixed assets of the cooperative to determine the value of the Share Capital.

I continued:

“ Now, to your calculation. The weak point is that you assume that the value of the fixed assets would remain, in their real value, the same all the time.

I don't know if you will be able to put in reality this approach, in your cooperative, that cooperative belongs to all members equally and especially with the existing legal system about cooperatives in your state and in your country.

I have some students trying to change their countries cooperative legislation, according to what they have learned with me, and I know how hard is to change for the better.”

To this explanation Robert sent me the following e-mail:

“ But reading further in your reply, you seem to distinguish between real value and book value, so if the cooperative valued the original assets at their original price, or 'real price' in terms of its value to the cooperative, as a productive asset consisting of equipment properly installed and available for use. In that case, the share values would remain about the same, because the depreciation would be figured only for tax purposes, not for share purposes. I do understand that this can be a dynamic value and go up and down in accordance with business conditions and the prosperity and success of the cooperative. ”

### **3.8 The price of participation.**

A further very important issue was discussed in our exchange of e-mails. It concerns the second leg of the cooperative: the cost of participation, and how the cooperative does finance it.

“ This price should be paid by all members according to their participation in the business of the cooperative. So, a member who purchases more, will pay more to cover the total operational expenses of the cooperative, than a member who purchases less.

My formula, a very simple one, is as follow, and this formula is the same for cooperatives where members are the users:

Purchasing price of goods and services + The total operating expenses needed to run the cooperative and to fulfill its tasks + A small margin of security (some people would call it Surplus, but I don't like surplus, so...) = The selling price of goods and services to members.

The formula for the producers cooperative is slightly different. We add here another variable. This cooperative is one where members

are not the users of the cooperative. The Users are the clients, the big public, according to what the cooperative is producing to be sold. It is highly important to remember, and many cooperatives leaders, internationally, forget it, that the members are employed at the cooperative and are remunerated for their participation (employment) in the cooperative, but they are the wage-earners of the cooperative. The members of these cooperatives, in its basic concept, work in the cooperative. The cooperative has a limited number of members, equals to the number of employment vacancies in it.

The formula for the producers cooperative is:

The Purchasing Price of Inputs + The total Operating Expenses +  
The Remuneration to members for their work participation +  
Margin of Security = The Selling Price of the product or service in  
market."

## **4. Creating the Legal Framework**

We are now moving one step forward, before the actual establishment of the cooperative itself. We need to create the legal framework for the cooperative.

At the end of February, 2003, Robert sent a mail, which was trying to sum up the first step of his preparation to create the cooperative he wants. He wrote:

"Zvi,

Right now we are in the process of holding our regional meetings to elect the organizing committee. I have added your description

of how a cooperative is organized (especially how to develop the value of the share) to my standard speech on the subject, and it has been well received as a very sensible way to organize the cooperative.

We are beginning from the very beginning, so we can set it up however we choose. Thus far, in fact, there has been no controversy about setting up the cooperative in the way you propose."

Robert continues by setting up the proposed schedule he planned until the foundation of the cooperative:

"We will finish our regional meetings in late March; the newly created organizing committee will meet in April and May, and I hope we will legally incorporated somewhere around the end of May. As you have noted, US laws don't particularly accomodate your kind of cooperative organization, but our legal advisor has told me that we can set up the cooperative as a non profit corporation and structure its membership and operations in any way that we choose in the articles of incorporation. We think this is better than trying to change the cooperative law as our legislature considers general bills only every other year (the second year being strictly a budget session), The legislature is in its general session now, but the deadline is past to introduce new legislation, so the quickest we could get a law changed would be the session of 2005.

Once we have developed the budget and organized the cooperative, we plan to begin a share selling campaign with great public fanfare. We'll probably have a big banquet, serving only Oklahoma foods, to which we will invite the media and various leaders and personalities, and then the leaders will be the first to buy shares (i.e. the first share will hopefully be bought by the Governor of Oklahoma, and etc.)"

Then in another mail, Robert continues to discuss the legal framework of the cooperative. He told me that:

"We are still exploring our legal options. The state Dept of Agriculture introduced us to a professor at Oklahoma State University who is doing some research for us to help us know what our options are. Part of the problem is that no one in Oklahoma has done a cooperative like this, when the law talks about cooperatives mostly it is talking about producer cooperatives and rural electric cooperatives. He did point out that if nothing else we could incorporate as a corporation and spell out the cooperative nature, the shares, the operating funds, etc., in the articles of incorporation.

So if the rest of the group accepts this way of organizing the cooperative, we could go that route. Do you have sample legislation to set up a cooperative in this way, by any chance?"

In may 2003 Robert wrote and asked my contribution:

"Below is the text of the first draft of our articles of incorporation. I hope you find them interesting, and if you have any thoughts about them, don't hesitate to let us know."

I am bringing here the main points about the first draft of the article of incorporation, and will bring as an annex, the last version of it, proposed by Robert almost a year latter in June 2004, and changed, at the last version, to CERTIFICATE OF INCORPORATION.

The article of incorporation is composed of various

paragraphs, intending to describe the cooperative and its activities.

It starts with the name of the cooperative, and then the purpose of the creation of the cooperative.

The cooperative is created to connect between consumers and producers, all from the state of Oklahoma, and exclusively from there. The originality of this cooperative is that members would be the producers and the consumers together. This a very interesting and almost unique version of a cooperative, and is part of Robert's vision, when he forwarded the establishment of this cooperative.

Then, the article of incorporation discusses the Power of the cooperative, the duration of its existence (perpetual), and the location of its offices with the exact address.

The sixth paragraph deals with issue of membership, ownership and operation of the cooperative. The first part deals with the idea of the share capital.

The very important element here is that the number of shares in this cooperative is equal exactly to the number of members. The value of each share is determined by the value of the cooperative, including the fixed assets, and the number of members in.

Some points were not clear enough, and I proposed him some clarifications here:

"Robert, I don't get the feeling that enough emphasize was put on the link (connection) between becoming member and the purchasing (or getting ) one share. I feel that you would need to apply a more strict mechanism of as how to link number of shares, especially those donated, and the number of members and the value of the share.

Members who pay their shares by installment shouldn't become full right members until the payment is completed, or the value of the share has been fully remitted to the cooperative, and the installments made by those members are repaid by themselves to a credit organ so the total of their share value was paid to the cooperative, and they are full members."

The last version, the CERTIFICATE OF INCORPORATION, has corrected this point.

The next point is referring to members and membership.

The point here is that the members are the supreme governing body of this cooperative and are the only owners of this association.

The membership determines that a candidate is becoming member when approved by the cooperative and by, then, purchasing one, and only one, share capital.

Another particularity is the existing, as equal

members in the cooperative, producers and customers together. These two categories are equal, except in the election of the two vice-presidents: one for the consumers, which is elected solely by consumers-members, and the other is for the producers, and elected solely by the producers-members.

I proposed Robert to put an emphasize on the idea that an individual becomes a member fully only after he has been accepted by he cooperative, and then completed the amount to be paid for one share value.

Another point, which we have discussed, is the possible conflict of interest between producers and consumers. This conflict can be solved based on the mutual interests of both sides, namely, the producers wish to get the highest possible price for their products, and the consumers wish to get the products sold to them at the lowest cost and the best quality. So, the prices would be determined at the meeting points of these desires. But, as for becoming members, I suspect that the producers would be always in minority in the cooperative. So, a great deal of cooperative education would be needed in this crossroad.

The answer of Robert on this issue was in the following paragraph:

The voting rights of the members of the cooperative shall be equal, except for the election of the Producer and Customer vice presidents, and the various store committees, which elections have electorates limited by the appropriate declaration of the member, and no member shall have more than one vote upon each matter submitted to a vote at a meeting of the members.

The next chapter in the article of incorporation deals with democratic governance of the cooperative. It describes the various governance organ, the committees, the various office bearer intended to run the cooperative on all its aspects.

One of the more important paragraph is dealing with the issue of Liquidation. It says: “Upon liquidation, any assets remaining after all debts and obligations are satisfied shall be distributed equally to the members of the cooperative.”

By and large, this document of incorporation presents a very interesting and quite unusual approach to the cooperative way, in general, and to the consumer cooperative of Oklahoma in particular.

## **5. Summary**

Toward the end of April 2004, Robert sent an e-mail to all the members of the cooperative, through the listserv of the members of the cooperative.

" Below is something I wrote earlier this week, to account for our accomplishments and challenges. rmw

#### ACCOMPLISHMENTS THUS FAR:

Determined that opening a retail store was not feasible for a group of our size.

Decided to go forward with developing a retail delivery system/buying club local food model, even though there was no model to follow. Determined the core values that we wanted to animate our work and enterprise.

Decided to go with a cooperative model of business organization, and to unite customers and producers in the same cooperative organization. This works because the cooperative does not get involved with the pricing decisions for products. Producers set their own prices and receive 100% of the purchase price. The cooperative's expenses are to be met with a cooperative charge on the customer's invoice. This is presently a flat fee, with surcharges for transportation outside of OKC, but this is likely to evolve into a percent of the customer order as we develop more of a history and get a better handle on the monthly operating costs.

Developed a way to receive, categorize, revise, and retrieve information regarding products and their prices.

Deployed online and hard copy versions of our customer and producer handbooks.

Developed a procedure to receive, sort, and then deliver customer products.

Developed online cooperative management system that allows customers to order online via email or a shopping cart system, automatically creates invoices for customers and producers, allows the producers to enter and revise their product information and prices, displays member contact information, automatically calculates and displays customer delivery information, provides the cooperative with producer and customer invoice summary tables showing the amounts owed to producers, and amounts paid for customer delivery fees and cooperative charges, and archives each month's information for review in later months.

Customers can pay online for orders or for memberships via our PayPal membership account.

Deployed extensive internal communications systems including

- (1) a listserv, a general discussion of the cooperative,
- (2) another listserv, all members with email addresses are subscribed to this,
- (3) producers listserv , all producer members with email addresses are subscribed to this, finance committee listserv, Oklahoma Food Board of Directors discussion. We have special email addresses for key volunteers so information can flow directly to the person who will deal with it: customer listserv, general coop questions or information; treasurer questions/issues, and some others...

Developed a cooperative administrative team which is composed of Chief Information Officer, software and website development and operations, president, membership chair, treasurer, assistant treasurer, and problems. All together 7 persons, women and men.

Organized a Product Standards and Compliance Committee, which

reviews all proposals for new products to ensure that they comply with the cooperative's standards.

Organized a Finance Committee.

Recruited 3 route coordinators, 5 drivers, and 7 pickup site managers.

Managed to operate thus far using volunteers and borrowed space.

Recruited 200 members, 45 of which list themselves as "producers".

Purchased 65 ice chests, of varying sizes, for use on Delivery Day.

Developed three routes which bring producer products inboard on the morning of Delivery Day and carry back retail orders on the afternoon (Tulsa, Tahlequah, Waynoka/Enid). A fourth is being planned (Lawton).

Adopted cooperative articles of incorporation that were written and debated over several months, with numerous "rounds" of public discussion, revision, and then more discussion and revision. The articles contain strong structures designed to ensure that the cooperative continues over the long term to serve the needs of the producer and customer members, who are the only owners of the business, avoid problems of stranded capital, excessive reserves, and favoritism which have sometimes been a problem in other cooperative organizations. They also contain a "poison pill" designed to make it impossible for a large corporation or another cooperative to buy the business and corporatize the structure. The bylaws mandate equality among the members of the cooperative, all members can both buy and sell through the cooperative.

Delivery Day, and other cooperative activities, are emerging as

social occasions, as well as their business purposes.

Developed the Customer Delivery Code, which allows us to tell at a glance where a product is to be sorted, who it belongs to, whether the customer gets the product, and which vehicle it rides to the customer on.

Developed standard formats for customer and producer invoices.

Defined the relationship between the customer and producer members of the cooperative as one of agency. As agents for the producers, we publicize their products and make them available to our members through our delivery system. As agents for the customers, we find products and enable the customer members to purchase and receive them.

Identified pickup places and developed routes to take products from the sorting locations to those locations or to home or work deliveries.

Deployed a trouble ticket system to identify problems with deliveries and track resolutions of those problems.

We have a volunteer compensation/reward system established.

We have had two Oklahoma Food banquets.

We have given technical assistance to a group in another state that is working on a similar project. One of their members observed one of our Delivery days, and a team from a Nebraska University visited us and observed a different Delivery day.

We have developed a prototype for classifying our products based on the production practices used them, but thus far have only implemented classifying products as certified organic or not

certified organic.

We have developed a way to organize the sorting work on delivery day, trying two different methods during this process. We continue to refine those procedures based on actual experiences.

We have now completed six successful monthly order delivery cycles (Nov-Dec 2003, and Jan-April 2004), totaling \$40,000 in gross revenues.

We have a list of enhancements to our online software that we are working on prioritizing for implementation.

## IMMEDIATE CHALLENGES

Transporting refrigerated and frozen items. What we really need are two light trucks with reefers on them (full size pickups with camper size reefers would work), or two trailers and with freezers and a generator.

Keep our system working successfully until we get big enough to rent a central distribution warehouse for our largest sorting operation, Oklahoma City. This would go a long ways towards solving our refrigeration problem, as we could equip it with freezers and refrigerators and use the ice chests only for short-term transportation within the Oklahoma City metropolitan area.

Continue to discover and define the results we need from our computer systems, and getting those systems developed and implemented.

Develop and implement our financial accounting systems and to put the cooperative on a sound financial plan, matching income with expenditures..

We may run into regulatory challenges or barriers.

Finding new members, increasing the percent of members who order each month, and moving first to a twice a month delivery day system, and then to a weekly schedule.

Helping our producers to predict future inventory demands (i.e. develop a system to track what is sold each month and over time, so that at the end of the year we could say something like, "the cooperative sold X pounds of beef, X pounds of vegetables, X jars of jam, X bars of soap, etc., not listed by individual producer, of course, but totals for generic categories of products)."

In August 2004, the cooperative has started two deliveries days each month.

## **6. Annex.**

### CERTIFICATE OF INCORPORATION

#### OKLAHOMA FOOD COOPERATIVE

##### ONE: NAME

The name of this organization is the Oklahoma Food Cooperative, a cooperative enterprise organized under Title 18, Chapter 10, Section 421 of the Statutes of the State of Oklahoma.

##### TWO: PURPOSE

The purpose of this cooperative is to provide retail marketplaces

that sell Oklahoma grown and/or Oklahoma processed foods and non-food items, for the mutual benefit of its producer and customer members. The activities of the Oklahoma Food Cooperative are governed by its Core Values of social justice, environmental stewardship, and economic sustainability. The cooperative shall educate members, and the general public, regarding cooperative principles, the local food movement, its core values, and the practical implementation of these principles. This association shall be operated on a cooperative basis for the mutual benefit of its members as patrons and owners of the cooperative.

Acting as the agent of producer members, the Oklahoma Food Cooperative will publicize to its members the products that its producer members have for sale, receive orders from customer members, provide a way for products to be delivered to other members of the cooperative, collect payment from the customers and forward the payments to the producers. Acting as the agent for customer members, we will provide them a catalog of available local food products that includes information about how and where the product was grown or processed. We receive their orders and notify the appropriate producers, arrange for the food to be delivered, receive and process their payments. For both producer and customer members, we will provide a basic screening of products and producers based on our published parameters, and education and training regarding the use and the advantages of local foods. The essential business of the cooperative is to provide a marketplace where our members who are willing buyers and sellers can meet.

### THREE: POWERS

This cooperative shall have the power to conduct all lawful business in the state of Oklahoma, including but not necessarily limited to the operating of retail marketplaces that sell Oklahoma grown and/or Oklahoma processed foods and non-food items, and

shall have, exercise, and possess all the rights, powers, and privileges generally granted to a cooperative corporation by the laws of the State of Oklahoma, including (1) To borrow money within the limits allowed by law and to give a lien on any of its property as security therefore in any manner permitted by law; (2). 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 thereto, (3) To draw, make, accept, endorse, guarantee, execute, and issue promissory notes, bills of exchange, drafts, warrants, certificates, and all kinds of obligations and negotiable or transferable instruments for any purpose that is deemed to further the objects for which this cooperative is formed, and to give a lien on any of its property as security therefore, (4) To acquire, own, and develop any interest in patents, trade-marks, and copyrights connected with, or incidental to, the business of the association, (5) To cooperate with other similar associations in creating central, regional, or national cooperative agencies, for any of the purposes for which this association is formed, and to become a member or stockholder of such agencies as now are or hereinafter may be in existence, (6) To have and exercise, in addition to the foregoing, all powers, privileges, and rights conferred on ordinary corporations and cooperative associations by the laws of the State of Oklahoma and all powers and rights incidental or conducive to carrying out the purpose for which this association is formed, except such as are inconsistent with the express provisions of the act under which this association is incorporated, and to do any such thing anywhere; and the enumeration of the foregoing powers shall not be held to limit or restrict in any manner the general powers which may by law be possessed by this association, all of which are hereby expressly claimed.

#### FOUR: MEMBERSHIP SHARES

a. The Board of Directors is authorized to issue as many shares of stock as is necessary to provide each person who desires to become a member with one (1) share of stock upon their payment of its actual value or par value, whichever is greater. There is only one class of stock, and the Cooperative shall not issue any other classes of stock. The par value of each membership share is \$50. Membership share stock may be authorized at any board meeting and the number of shares issued is always based on the applications for membership received at that meeting.

b. The actual value price of a membership share is determined by dividing the value of the cooperative as determined by the board of directors by the number of members. The board may take all relevant factors into consideration in determining this value, including annual revenues of the cooperative, the transportation and communications links and routes developed by the cooperative, goodwill and name recognition, cash on hand and the value of the fixed assets of the cooperative, provided however that the share price may never be less than the value of the fixed assets of the cooperative plus capital cash on hand, divided by the number of members. The purpose of this article is to ensure that all of the value of the cooperative is owned equally by the members, and that the value of a share reflects the member's ownership in the cooperative, thus dividing the ownership of the cooperative equitably among all its customer and producer members.

c. No person, persons, or other legal entity may own or vote more than one membership share in the cooperative; however, any person may give money to the cooperative to pay for shares of stock for low income persons who desire to be cooperative members but who do not have sufficient funds to pay for the membership. Shares may not be transferred directly from members to non-members or between members.

d. If a member desires to leave the cooperative, or is expelled, the cooperative shall buy back that membership share at the actual value within 90 days of receiving a written request or expelling a member. It shall then cancel that share on its books. The member may elect to donate his or her share to the cooperative, in which case the value of the share shall be paid to the fund that finances membership stock purchases for low-income people.

e. The Board may extend credit to nonmembers to enable them to purchase a membership share on an installment payment plan, under terms approved by the Board of Directors. Pending full payment of the membership share a member may not vote or hold office in the cooperative but they may exercise member privileges and rights as a customer and producer patron of the cooperative's marketplaces.

f. No certificate of membership stock can or shall be assigned, either voluntarily or involuntarily, or by operation of law, nor can any membership or membership rights, voting or property rights of a member in the Cooperative be assigned, transferred, alienated, or encumbered in any manner or by any means whatsoever. Any purported or attempted assignment, transfer, alienation, or encumbrance of either the certificate of membership stock, or of the membership, or membership and property rights, shall be null and void and confer no rights upon the purported assignee, transferee or claimant. Provided, nothing herein shall prevent the donation of the share to the co-op by a resigning member, nor shall it prevent making donations or applying for grants to pay for the share for a person of poverty, nor shall it prevent the transfer for repurchase, of the member's share, back to the co-op.

#### FIVE: Duration

The duration of this cooperative shall be perpetual.

## SIX: Registered Office.

The principle place of business of the Oklahoma Food Cooperative is 1524 NW 21, Oklahoma City, Oklahoma 73106.

## SEVEN: Membership:

1.. The members are the supreme governing body of this cooperative and are the only owners of this association.

2.. Members of the cooperative are those persons or other legal entities that purchase a membership capital share in the cooperative. There are two classes of members: producers and customers. The two classes are equal in their rights and privileges and responsibilities of membership, but they differ in their voting rights for the two Vice Presidents of the Cooperative. A member may change their classification from customer to producer, or producer to customer, by notification to the Secretary of the Cooperative. All members of a shareholder's household share in the rights and privileges of membership, and may buy, sell, and hold office in the cooperative, but only one vote is exercised per membership in the Cooperative Assembly. Before each annual meeting, each household shall certify to the Secretary of the Cooperative the person who will exercise that household vote at the annual meeting. For the purpose of these articles, "household" is defined as 2 or more persons residing at a common address or in the case of producers, 2 or more persons who are partners in a business enterprise. At the discretion of the board of directors, these definitions may be broadened to include institutions, retirement complexes, religious organizations, or other larger groups of people.

c. Membership in the cooperative is open to both customers and

producers of Oklahoma food products or other Oklahoma products that are authorized by the Board of Directors. Any person shall be eligible to become a member of the association, regardless of race, gender, religion, income, marital status, culture, or nationality. Groups shall be eligible for membership at the discretion of the board of directors.

d. The board of directors must approve all applications for membership. Between meetings the Board may accept members by unanimous consent.

e. The voting rights of the members of the cooperative shall be equal, except for the election of the Producer and Customer vice presidents, which elections have membership electorates limited by the appropriate declaration of the member, and no member shall have more than one vote upon each matter submitted to a vote at a meeting of the members.

f. The property rights and interests of each member in the fixed assets of the association shall be equal and are determined based on the ownership of each member of one share of the cooperative. The property rights and interest of each member in the membership patronage surplus of the cooperative, if any, shall be determined and fixed on a patronage basis, and the surplus from the member patronage business of the association shall be allocated to member-patrons in the proportion that the patronage of each member bears to the total patronage of all the members of the association. The property rights and interest of each member in the nonmember surplus of the cooperative, if any, are equal.

g. Members may be expelled for cause from the cooperative by a 2/3rds vote of the Board of Directors, acting upon the recommendation of the Discipline Committee, which shall make such recommendations based on a 2/3rds vote of its members. Expulsions may be appealed to the Cooperative Assembly.

Members who are expelled shall receive the actual or par value of their membership share, whichever is greater. Cause for expulsion can include illegal activity, fraudulent affidavits regarding the Oklahoma origin or production practices of products sold through the cooperative, and prolonged and egregious inability or unwillingness to follow cooperative standard operating procedures.

## EIGHT: COOPERATIVE ASSEMBLY

a. The supreme governing body of the cooperative is the Cooperative Assembly, which is the annual or special meeting of the members. The Cooperative Assembly shall meet at least once each year to elect members of the Board of Directors and Officers of the Cooperative, approve or reject proposed changes to these Articles of Incorporation, consent to or repeal any action of the Board of Directors submitted to their vote, and conduct other such business as comes before the cooperative.

b.. In accordance with law, notice of the time and place of holding each annual meeting shall be published not less than two (2) weeks previous thereto in the newspaper printed nearest to the place where the principal office or place of business of the corporation is located. A quorum shall consist of at least ten percent (10%) in number of all the stockholders or subscribers for stock who are entitled to vote. Notice shall also be posted at the cooperative's website and mailed to all members.

c. Special meetings of the members may be called at any time by the Board of Directors of the Cooperative or by a petition calling for a membership meeting and specifying the agenda, signed by 5% of the membership of the cooperative or 250 members, whichever is less. If such a petition is submitted, the Secretary of the Cooperative must schedule a membership meeting within 30 days of its receipt by the Secretary. Written notice of every regular

and special meeting of members shall be prepared and mailed to the last known post office address of each member, and posted on prominent signs at all association locations, not less than 10 (ten) days before such meeting. Such notice shall state the nature of the business expected to be conducted and the time and place of the meeting. No business shall be transacted at any special meeting other than that referred to in the notice. In all consideration of decisions to amend the articles or bylaws, as the case may be, the members shall be informed of such consideration at least twenty five (25) days in advance through a mailing to all the cooperative members and a prominent notice at all cooperative locations.

## NINE: OFFICERS

The officers of the Cooperative shall be:

1. President. The president shall (1) preside over all meetings of the association and of the board of directors; (2) call special meetings of the board of directors; (3) appoint such additional committees for special or regular purposes as the board of directors may deem advisable for the proper conduct of the cooperative; (4) is responsible for appointing and removing management as provided for by the Board of Directors, provided however that if the Cooperative hires a General Manager, said appointment shall be by the Board of Directors and at that time the General Manager shall be responsible for supervising, appointing, and removing if necessary the other management employees and volunteers of the cooperative, (5) Serve as chair of the Cooperative Administration and Operations Committee, and (6) perform all acts and duties usually performed by a presiding officer and in the absence of a General Manager employed by the cooperative, the duties of a General Manager. In the event of the absence or disability of the President, his or her duties shall be exercised by the Vice President for Producers or the Vice President for Customers, in rotation.

2. Vice President for Producers. The Vice President for Producers shall affirmatively represent the views and needs of the producer members of the cooperative, and rotate with the vice President for Customers in fulfilling the duties of the President in the event of his or her absence or disability. If the cooperative does not have a General Manager, the Vice President for Producers shall assist the President in the general management of the cooperative.

3. Vice President for Customers. The Vice President for Customers shall affirmatively represent the views and needs of the Customer members of the cooperative, and rotate with the vice President for Producers in fulfilling the duties of the President in the event of his or her absence or disability. If the cooperative does not have a General Manager, the Vice President for Customers shall assist the President in the general management of the cooperative.

4. 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. The secretary shall sign papers pertaining to the association as authorized or directed by the board of directors. The secretary shall serve all notices required by law and by the articles of incorporation and the bylaws and shall make a full report of all matters and business pertaining to the office to the members at the annual meeting. There shall be a corporate seal, and the secretary shall have custody of it. The secretary shall keep all books of blank membership stock certificates, complete and countersign all membership stock certificates issued; shall keep complete membership certificate ownership records; shall make all reports required by law; and shall perform such other duties as may be required by the association or the board of directors. Upon the election of a successor, the secretary shall turn over all books and other property belonging to the association.

5. Treasurer. The treasurer shall be responsible for the keeping and

disbursing of all monies of the association, and shall keep accurate books of accounts of all transactions of the association. The treasurer shall perform such duties with respect to the finances of the association as may be prescribed by the board of directors. At the expiration of his or her term of office, the treasurer shall promptly turn over to the successor all monies, property, books, records, and documents pertaining to his office or belonging to the association.

6. Chief Information Officer. The CIO shall be responsible for the development and operation of the cooperatives computer systems. Because of the nature of this office, the CIO shall be appointed by the Board of Directors.

6. The officers shall serve terms of three years and may succeed themselves in office. Whenever a vacancy occurs in the officers, other than from the expiration of a term of office, the Board of Directors shall appoint a member to fill the vacancy until the next regular meeting of the members. If the term of the vacating director does not expire at that regular member meeting, a special election shall be held to select a director to fill the year or years remaining in that term.

7. The first officers of the Oklahoma Food Cooperative shall be the officers of the Oklahoma Food Cooperative Organizing Committee, they shall serve until the first meeting of the Cooperative Assembly at which time the cooperative president, vice presidents for customers and producers, secretary, and treasurer shall be elected.

## TEN: THE BOARD OF DIRECTORS OF THE COOPERATIVE

1. The members of the Board of Directors of the Cooperative are (a) the officers of the cooperative including the CIO, (b) one representative of the employees of the Cooperative (if the

cooperative has employees), who is elected by the employees and (c) five or six members elected at large by the membership (five or six in order to make the membership of the board an odd number). If the cooperative hires a general manager, he or she shall also be a member of the Board of Directors.

2. The Board shall be in charge of the general operations of the cooperative, shall determine the need for cooperative management and make appropriate arrangements for management employees or volunteers, to be appointed by the President or General Manager. The board shall authorize the employment of such other employees, agents, experts, and counsel as it from time to time deems necessary or advisable in the interest of the association. The Board, shall vote on the purchase and sale of property, is authorized to borrow money and apply for grants, and have other rights and privileges as provided by law, these articles, the cooperative's Bylaws, or the vote of the members. The powers and authorities of this cooperative may be exercised by the board of directors of the cooperative, subject to the laws of the State of Oklahoma, to these articles, and to any provisions of the bylaws. The board of directors shall have installed an accounting system which shall be adequate to meet the requirements of the business and shall require proper records to be kept of all business transactions. The Board of Directors may not obligate the Cooperative for a debt larger than the value of the stock of the Cooperative.

3. Board members shall serve for 3 years and may succeed themselves in office. They may receive compensation for their expenses in attending meetings, to be determined by the Board, which may include mileage, accommodations, and meals, but they shall not receive a salary from the cooperative. All officers and board members must be members of the cooperative.

4. Whenever a vacancy occurs in the board of directors, other than

from the expiration of a term of office, the remaining directors shall appoint a member to fill the vacancy until the next regular meeting of the members. If the term of the vacating director does not expire at that regular member meeting, a special election shall be held to select a director to fill the year or years remaining in that term.

5. Regular meetings of the board of directors shall be held at least quarterly, and at such other times and at such places in the state of Oklahoma, as the board may determine. The Board of Directors may conduct business by unanimous consents in lieu of meeting, if the consent clearly states the matter decided and is signed by all of the directors of the association who would be eligible to attend and vote at a regular meeting of the board. A special meeting of the board of directors shall be held whenever called by the president or by three of the directors. Only the business specified in the written notice shall be transacted at a special meeting. Each call for a special meeting shall be in writing, shall be signed by the person or persons calling the meeting, shall be addressed and delivered to the secretary, and shall state the time and place of such meeting. Oral or written notice of each meeting of the board of directors shall be given each director by, or under the supervision of, the secretary of the Cooperative not less than seventy-two (72) hours prior to the time of meeting. But such notice may be waived by all the directors, and their appearance at a meeting shall constitute a waiver of notice. A majority of the board of directors shall constitute a quorum at any meeting of the board.

6. First board election: At the first meeting of the stockholders, there shall be elected the five at-large directors, one of whom shall serve one (1) year, two of whom shall serve two (2) years, and the remaining two of whom shall serve three (3) years. As the term of office of each of these directors expires a successor shall be elected, who shall serve for three (3) years, unless sooner removed, or until his successor is elected and qualified.

7. Any director or officer of such corporation may be removed by a majority vote of the stockholders at any regular or special stockholders' meeting lawfully called, and the vacancy may be filled at such meeting or by the remaining directors at any regular or special meeting thereafter.

8. The Board may by a 2/3rds majority vote refer decisions to the membership meeting, or a petition signed by 5% of the membership may refer such actions. A membership meeting must be held within 30 days of the Board's vote or the submitting of a valid referendum petition.

#### ELEVEN: STANDING COMMITTEES

The following are the standing committees of the cooperative. Their activities are governed by the provisions of the cooperative's bylaws and/or action of the Board of Directors: Finance, Audit, Producer Standards and Compliance, Cooperative Administration and Operations, Discipline and Arbitration, Education and Core Values, Membership, Elections. The Finance Committee shall arrange for the cooperatives financial accounting systems, procedures, and work. Audit Committee shall audit the financial records and board actions of the Cooperative. Producer Standards and Compliance ensures that products sold in the cooperative's marketplaces are licit for sale under our procedures. The Cooperative Administration and Operations committee is responsible for the work involved with operating the cooperative's marketplaces and computer-systems. The Discipline and Arbitration committee considers membership expulsions or sanctions and arranges for arbitration in the event of disagreement between members of the cooperative. The Core Values and Education committee provides education to members regarding the cooperative's core values and their practical implementation, as well as the principles of the international cooperative movement.

The Membership committee is responsible for recruiting new members.

#### TWELVE: LIABILITY

The liability of members, officers, and directors of the cooperative is limited to the amount of the actual value of their membership share in the cooperative. The Cooperative may indemnify its directors, officers, committee members, and employees to the extent allowed by law and may purchase liability insurance on their behalf.

#### THIRTEEN: Liquidation.

Upon liquidation, any assets remaining after all debts and obligations are satisfied shall be distributed equally to the members of the cooperative.

#### FOURTEEN: Amendment

The articles of incorporation may be amended at any time, or from time to time, by the affirmative vote of two-thirds of the members present at any annual meeting of the stockholders, if notice of the proposed amendment shall have been given in the call for such meeting. The directors, who shall sign and acknowledge and file, as above provided, new or revised articles containing such amendments and superseding the original articles, shall put such amendments into effect. Provided, however, that section 4 (c) above, (limiting ownership of shares of membership stock to one per membership), is neither amendable nor repealable.

#### FIFTEEN: Assumption

This cooperative assumes the membership, assets, and liabilities of the Oklahoma Food Cooperative Organizing Committee, Inc.

SIXTEEN: Initial Board of Directors

The initial board of directors of the Oklahoma Food Cooperative, which shall have charge of the affairs of the cooperative until a board is elected at the first Cooperative Assembly, shall be the Board of Directors of the Oklahoma Food Cooperative Organizing Committee, Inc.

SEVENTEEN:

Incorporators:

Adopted this \_\_\_\_\_ day of April, 2004 by the Incorporators whose signatures and the full address of each person, appear below.