Appendix G: Sample Articles of Incorporation

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ARTICLE I CORPORATE AFFAIRS

1. Name. The name of the corporation is _____ (hereinafter, the "Corporation"). 2. FISCAL YEAR. The fiscal year of the Corporation shall end on the last day of [month] in each year.

3. Execution Of Instruments. All deeds, leases, transfers, contracts, notes, bonds, and other obligations authorized to be executed on behalf of the Corporation shall be signed by the President or the Treasurer except as otherwise determined from time to time by the Board of Directors.

4. Corporate Records. Copies of the following documents shall be kept at the principal office of the Corporation or at the office of the Secretary, but need not all be kept at the same office:

a. the Articles of Incorporation and Bylaws,
b. records of all meetings of Incorporators, Directors, and Members, and
c. the stock and transfer records containing the names and record addresses of all Members.

5. Articles Of Incorporation. The purposes of the Corporation shall be as set forth in the Articles of Incorporation (hereinafter, the "Articles"). In the event of any inconsistency between the Articles and these Bylaws, the provisions of the Articles shall be controlling.

ARTICLE II MEMBERS AND SHAREHOLDERS

1. Membership Organization. The Corporation shall operate on a cooperative basis, with earnings and losses allocated on the basis of patronage and with voting by Members in accordance with the Articles and Bylaws.

2. Members And Membership Shares. The Corporation has a single class of common voting stock (hereinafter, "Membership Shares"), and holders of Membership Shares are designated hereinafter as Members.

2.A. Member Eligibility. Members shall be limited to natural persons who:

1. patronize the Corporation through provision of their labor on a full-time or part-time basis;
2. have been approved by the Board of Directors or its designees;
3. have paid a Membership Fee as hereinafter defined; and,
4. have been employed by the Corporation for a period of at least ___ months, except as otherwise determined by the Members from time to time.

2.B. Membership Shares. Each Member shall own one and only one Membership Share.

1. Only Members may own Membership Shares, except that, in the event of the death of a Member, his or her estate may hold the Membership Share pending repurchase by the Corporation.
2. The cost and terms of a Membership Share shall be determined by the Board of Directors from time to time, and such cost is designated as the "Membership Fee."

2.C. Membership Termination. Upon voluntary or involuntary termination of a Member's employment by the Corporation, except for temporary layoffs or absences, his or her membership shall be terminated and the Corporation shall redeem his or her Membership Share for consideration determined in accordance with Article III.

3. Transfer Restrictions. No share or interest therein may be sold, assigned, or otherwise transferred, voluntarily or involuntarily, by operation of law or otherwise, except for a transfer to the Corporation.

4. Certificates For Shares. Each Member is entitled to a certificate representing his or her share in such form as prescribed by the Board of Directors. The certificate shall be signed by the President and the Treasurer when it is issued. Each share shall set forth conspicuously on the face or back of the certificate either the full text of the restrictions prescribed in section 3 of this Article, or a statement that such

restrictions exist and that the Corporation will furnish a copy of such restrictions to the Shareholder upon written request and without charge. In case of the loss, destruction, or mutilation of a share certificate, a duplicate certificate may be issued in its place, upon such terms as the Board of Directors may prescribe.

ARTICLE III INTERNAL CAPITAL ACCOUNT SYSTEM

1. Internal Capital Accounts. The Corporation shall have a system of Internal Capital Accounts as equity accounts to reflect its net worth, to reflect the allocation of net worth among the Members, and to determine the redemption value of Membership Shares and Written Notices of Allocation as hereinafter defined. The Internal Capital Accounts consist of Individual Capital Accounts and a Retained Earnings Account. The sum of the balances of the Internal Capital Accounts is the net worth of the Corporation.

1.A. Individual Capital Accounts. The Corporation shall maintain for each Member an Individual Capital Account that reflects the value of the Member's relative equity in the Corporation.

1. The balance in any Individual Capital Account results from and is increased by:
   a. the initial Membership Fee, plus any other paid-in capital from or on behalf of the Member in excess of the Membership Fee, and
   b. the amount of any Written Notices of Allocation issued to the Member.
2. The balance in any Individual Capital Account is decreased by:
   a. any losses allocated to the Individual Capital Accounts, and
   b. the redemption, in cash or notes of indebtedness, of a Written Notice of Allocation previously issued to the Member and recorded in the Member's Individual Capital Account.

1.B Retained Earnings Account. The Corporation shall maintain an unallocated retained earnings account (hereinafter, "Retained Earnings Account") that reflects the portion of net worth not allocated to Individual Capital Accounts.

1. The balance in the Retained Earnings Account results from and is increased by:
   (a) that portion of retained earnings not allocated to Individual Capital Accounts, and
   (b) any gifts or grants to the Corporation, unless otherwise allocated to Individual Accounts.
2. The Retained Earnings Account balance is decreased by any losses allocated to the Retained Earnings Account.
3. The Corporation shall maintain a Retained Earnings Account balance with reference to a target amount for business purposes, in accordance with section 2.C of this Article III.

2. Allocation of Net Income. The positive or negative Accounting Net Income of the Corporation shall be allocated annually among the Internal Capital Accounts, after payment of corporate tax, dividends on capital stock, and the cash portion of Patronage Dividends.

2.A. Definitions. The following definitions shall apply to terms used herein.

1. "Accounting Net Income" is the book net income for the fiscal year computed in accordance with Generally Accepted Accounting Principles (GAAP).
2. "Patronage" is the total number of hours worked for the Corporation by Members and non-members during the fiscal year. "Member Patronage" is the total number of hours worked for the Corporation by Members during the fiscal year.
   a. "Patronage Income" is that portion of Accounting Net Income resulting from the Member Patronage and is calculated by multiplying the Accounting Net Income (minus any Ancillary Income) by the ratio of Member Patronage to Patronage.
   b. "Non-member Patronage Income" is that portion of Accounting Net Income resulting from the Patronage of non-members.
   c. "Ancillary Income" is that portion of Accounting Net Income resulting from transactions that do not facilitate the primary business of the Corporation and do not result from Member Patronage.
4. "Patronage Dividend" is the positive amount of Patronage Income allocated to the Members in proportion to their relative Member Patronage during the fiscal year and may consist of any combination of cash and Written Notices of Allocation.
5. "Written Notice of Allocation" is the certificate issued to each Member specifying the amount, if any, of the Patronage Dividend allocated to the Member and retained by the Corporation.

2.B. Patronage Allocations. Patronage Net Income, after reductions in accordance with section

2.C shall be allocated as Patronage Dividends to the Members on the basis of their relative Patronage within 8 1/2 months after the end of the fiscal year.

1. In any proportions determined by the Board of Directors, Patronage Dividends may be paid in cash, in Qualified Written Notices of Allocation, or in Non-qualified Written Notices of Allocation as defined in Subchapter T of the Federal Internal Revenue Code of 1986, as amended from time to time (hereinafter, "Subchapter T").
2. The amount of any Written Notice of Allocation issued to a Member shall be credited to the Member's Individual Capital Account and the amount thus retained by the Corporation may be used for any and all corporate 19 purposes. Written Notices of Allocation are non-transferable unless otherwise approved by the Board of Directors.
3. By becoming a Member of the Corporation, each Member shall be deemed to have consented to include in his or her taxable income the amount of any Qualified Written Notices of Allocation and to pay tax thereon in accordance with Subchapter T.
4. The Corporation shall issue annually to each Member an Individual Capital Account Statement that discloses his or her account balance and any changes since the previous Statement.

2.C. Unallocated Retained Earnings. From time to time, the Board of Directors shall establish an overall target amount for unallocated retained earnings on the basis of stated business purposes and needs. Annually, the Board of Directors shall make allocations of retained earnings to the Retained Earnings Account with reference to the target amount and business purposes and needs. Such allocations shall be from:

1. Ancillary Income and Non-member Patronage Income, and
2. if necessary for business purposes, from Patronage Net Income.

2.D. Losses. If the Corporation incurs a net loss in any fiscal year, such net loss shall be charged against the balances in the Internal Capital Accounts as determined by the Board of Directors.

3. Capital Distributions to Members. Membership Shares and Written Notices of Allocation shall be redeemed by the Corporation in accordance with this section.

3.A. Redemption of Written Notices of Allocation. All Written Notices of Allocation credited to a Member's Individual Capital Account shall be redeemed by the Corporation in accordance with their terms and procedures as determined by the Board of Directors.

3.B. Redemption of Membership Shares. Upon termination of Membership in accordance with the Bylaws, the Membership Share held by the terminated Member shall be transferred to the Corporation for the consideration defined herein.

1. After year-end adjustments, the Member's Individual Capital Account balance other than Written Notices of Allocation shall be paid to the terminated Member as consideration for the Membership Share in cash, promissory notes, or other property as determined by the Board of Directors.
2. If there is no positive balance in the terminated Member's Individual Capital Account other than Written Notices of Allocation, then the Membership Share shall be returned to the Corporation for no consideration.
3. Written Notices of Allocation, if any, shall be redeemed in accordance with section 3.A.

3.C. Dissolution Distributions. Upon liquidation, dissolution, or sale of all the assets of the Corporation, any assets left after payment of all debts and Individual Capital Account balances shall be distributed to all persons who were Members during the immediately preceding ten (10) years, or to their heirs, in proportion to the Members' relative Patronage during that period. No distribution need be made to any person who fails to acknowledge the receipt of notice of liquidation in a timely manner. Said notice shall be deemed sufficient if sent by certified mail, at least 30 days before distribution of any residual assets, to the person's last known business or residence address.