

Arizona Revised Statutes  
Chapter 19: ... Cooperatives ...

**Article 1: Cooperative Marketing Associations**

- [10-2001. Definitions](#)
- In this article, unless the context otherwise requires:
  - 1. "Active member" is a member growing, producing, manufacturing, marketing, distributing or selling products or services handled by the association at the time of the membership meeting, or who during the previous year, delivered products or services to the association.
  - 2. "Agricultural products" includes horticultural, viticultural, forestry, dairy, livestock, poultry, bee and any farm products.
  - 3. "Association" means a corporation organized under this article.
  - 4. "Marketing agreement" or "marketing contract" means any agreement entered into between an association organized under this article and its members, by the terms of which a subscribing grower, producer, manufacturer, marketer, distributor or seller and all other growers, producers, manufacturers, marketers, distributors or sellers signing similar agreements, agree to sell their products or services, goods for import or export purposes to or through such association.
  - 5. "Member" includes members of associations.
- [10-2002](#)
- Law governing associations
- [10-2002. Law governing associations](#)
- Any law in conflict with this article shall not apply to the associations organized hereunder, but general corporation laws shall apply to the associations except when they conflict or are inconsistent with the express provisions of this article.
- [10-2003](#)
- Requirements for formation; association profits
- [10-2003. Requirements for formation; association profits](#)
- A. The following may form a cooperative association with or without capital stock under this article:
  - 1. Five or more persons engaged in the production of products or services.
  - 2. Five or more small businesses, individuals or entities engaged in the marketing and distribution of manufactured goods for import and export purposes.
- B. Associations organized under this article may make profits for themselves or for their members.
- [10-2004](#)
- Articles of incorporation; amendments
- [10-2004. Articles of incorporation; amendments](#)
- A. Articles of incorporation shall be filed setting forth:
  - 1. The name of the association.
  - 2. The purposes for which it is formed.

- 3. The place where its principal business will be transacted.
- 4. The term for which it is to exist.
- 5. The number of directors thereof, which shall not be less than five, and their term of office.
- 6. A statement indicating whether the association will be a for-profit association or a nonprofit association.
- 7. If the association will be a for-profit association and will have capital stock, a statement indicating the number of shares that the association is authorized to issue.
- B. The articles shall be subscribed and filed in accordance with the provisions of general corporation law.
- C. The articles of incorporation may be altered or amended at a regular meeting, or at a special meeting called for that purpose, by the affirmative vote of a majority of the active members of the association, and on at least thirty days' notice in writing of the proposed alteration or amendment. Amendments to the articles when adopted shall be filed as required by law.

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- [10-2005](#)
- Powers of association
- [10-2005. Powers of association](#)
- An association incorporated under this article may:
  - 1. Engage in any activity in connection with the manufacturing, marketing, harvesting, processing, storing, handling or utilization of products or services, or the providing of labor, or in connection with the purchase, hiring or use by its patrons of supplies, machinery or equipment, or in the financing of any such activities, but the associations shall not deal in the products of nonmembers to an amount greater in value than that of products handled for members.
  - 2. Borrow money and make advances on products delivered.
  - 3. Act as the agent or representative of any member or patron in such activities.
  - 4. Acquire, hold, own and exercise all rights of ownership in, and sell, transfer or pledge shares of the capital stock or bonds, or become a member or a stockholder of any corporation or association engaged in a related activity or in the handling, marketing or financing of any products handled by the association, but stocks, bonds or other securities owned by a subsidiary may not be pledged, sold or otherwise disposed of until thirty days notice has been given to all members of the association in the manner provided by its bylaws. Such stock, bonds and other securities of a subsidiary may be placed with the state treasurer for safe keeping, and he shall not surrender them until proof of notice as required by this article has been given.
  - 5. Establish reserves and invest the funds thereof in stocks and bonds of any corporation or association engaged in a related activity, or in the handling, marketing, processing or financing of the products handled by the association, or in such other property as the board of directors of the association deems satisfactory.
  - 6. Do any act necessary to carry out the specific powers conferred by this article, and do such acts within or without the state.
  - 7. Possess the powers, rights and privileges of corporations organized under the general law of the state, unless inconsistent with this article.

- 8. Engage in any activity in connection with the marketing or distribution of manufactured goods for import and export purposes or the providing of labor, in connection with the purchase, hiring or use by the association's patrons of supplies, machinery or equipment, or in connection with the financing of any such activities, but the association may not deal in the products of nonmembers to an amount greater in value than that of products handled for members.
- 9. Engage in any activity involving the harvesting, processing, storing, handling or use of products for the production, manufacturing and sale of products or services or the providing of labor, in connection with the purchase, hiring or use by the association's patrons of supplies, machinery or equipment, or in connection with the financing of any such activities, but the association may not deal in the products of nonmembers to an amount greater in value than that of products handled for members.
- 10. Raise equity from nonprofit investors and patron members.
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- [10-2006](#)
- Bylaws; renewal upon expiration of contract period
- [10-2006. Bylaws; renewal upon expiration of contract period](#)
- A. Each association shall within thirty days after incorporation adopt bylaws. A majority vote of the members or their written assent is necessary to adopt such bylaws. The bylaws may provide for:
  - 1. The time, place and manner of calling and conducting meetings.
  - 2. The number of members constituting a quorum.
  - 3. The right of members to vote by proxy, by mail or by both methods, and the conditions, manner, form and effect of the votes.
  - 4. The number of directors constituting a quorum.
  - 5. The qualifications, compensation, duties and term of office of directors and officers, time of their election and the manner of giving notice of the election.
  - 6. Penalties for violation of the bylaws.
  - 7. The amount of entrance, organization and membership fees, if any, the method of collecting them and the purposes for which they may be used.
  - 8. The annual dues or assessments.
  - 9. The charge to be paid by each member for services rendered by the association to him, the time of payment and the manner of collection.
  - 10. The marketing contract between the association and its members, which every member may be required to sign.
  - 11. The number and qualification of members of the association and the conditions precedent to membership.
  - 12. The method, time and manner of permitting members to withdraw.
  - 13. The manner of assignment and transfer of the interest of members.
  - 14. The conditions upon which, and time when membership of a member shall cease.
  - 15. The automatic suspension of the rights of a member when he ceases to be eligible to membership, and the manner and effect of the expulsion of a member.
  - 16. The manner of determining the value of a member's interest, and providing for purchase of such interest by the association upon his death, withdrawal, expulsion or forfeiture of membership, at the option of the association.

- 17. If members are to be accorded unequal voting rights, the manner of determining the number of votes to which each member is entitled.
- B. Upon termination of each contract period, the board of directors of the association may renew or revise the bylaws to be in effect for the next contract period, and the renewal or revision shall be the bylaws of the association after thirty days notice has been given to the members, unless more than fifty per cent of the members of the association have filed objections thereto in writing, except that when property rights of the members are affected, section 10-2007 shall apply.
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- [10-2007](#)
- By-laws concerning property rights of members; amendment
- [10-2007. By-laws concerning property rights of members; amendment](#)
- The property rights and interest of each member, whether equal or unequal, shall be set forth in the by-laws of the association as general rules applicable to all members by which the property rights and interest of each member shall be determined and fixed. The association may admit new members, who, when admitted, shall share in the property of the association with the old members in accordance with such general rules. By-laws defining the property rights of members shall not be altered, amended or repealed except by written consent or the vote of three fourths of the members qualified to vote under the by-laws of the association.
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- [10-2008](#)
- Eligibility for membership
- [10-2008. Eligibility for membership](#)
- Under the terms and conditions prescribed in its bylaws, an association may admit as members persons engaged in production of the products or services to be handled by or through the association, including lessees and tenants of land used for production of such products, lessors and landlords who receive as rent part of the crop raised or products created on the leased premises and persons or corporations regularly engaged in financing such production of commodities.
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- [10-2009](#)
- Membership certificates; voting; liability
- [10-2009. Membership certificates; voting; liability](#)
- If a member of an association established without capital stock has paid his membership fee, he may receive a certificate of membership. Members are not liable for debts of the association above the sum remaining unpaid on their membership fees. No member is entitled to more than one vote unless the bylaws provide otherwise. In no event is a member allowed to have more than five votes which are based on actual patronage, and a member is not allowed more than one vote because of the amount of membership capital he may own.
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- [10-2010](#)
- Appraisal of interest and payment upon withdrawal or expulsion of member
- [10-2010. Appraisal of interest and payment upon withdrawal or expulsion of member](#)
- If a member withdraws or is expelled, the board of directors shall, within three years after withdrawal or expulsion, equitably appraise his property interest in the association and pay him for that interest. The appraisal is conclusive.
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- [10-2011](#)
- General powers of directors; election; compensation
- [10-2011. General powers of directors; election; compensation](#)
- A. The affairs of the association shall be managed by the board of directors elected by the members from their number. The bylaws may provide that the territory in which the association has members be divided into districts and that the directors be elected according to such districts. If the territory is so divided the bylaws shall also specify the number of directors to be elected by each district, the manner and method of apportioning the directors and of dividing the territory into districts. The bylaws may provide that primary elections be held in each district to elect the directors apportioned to the districts, and the result of such elections shall be ratified by the next regular meeting of the association. The bylaws may further provide that additional directors be elected at large and the manner of their election.
- B. The association may provide a fair remuneration for the time actually spent by its officers and directors in its service.
- C. If a vacancy on the board occurs other than by expiration of term, the remaining members by a majority vote shall fill the vacancy.
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- [10-2012](#)
- Organization of board of directors
- [10-2012. Organization of board of directors](#)
- The directors shall elect from their number a president and one or more vice-presidents, and a secretary and treasurer, who need not be members. The offices of secretary and treasurer may be combined. The funds of the association shall be deposited only as authorized by the board.
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- [10-2013](#)
- Removal of officer or director
- [10-2013. Removal of officer or director](#)
- A. A member may bring charges against an officer or director by filing them in writing with the secretary of the association, together with a petition for removal signed by ten per cent of the members. The removal shall be voted upon at the next regular or special meeting and the association may remove the officer or director by a majority vote of the members. The director or officer shall be informed in writing of the charges previous to the meeting, and he and the person bringing the charges may be heard in person or by counsel and may call witnesses at the meeting.

- B. If the by-laws provide for election of directors by districts with primary elections in each district, then the petition for removal of a director shall be signed by twenty per cent of the members residing in the district from which he was elected. The board shall call a special meeting of the members residing in that district to consider the removal of the director, and he may be removed by a vote of the majority of the members of that district.

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- [10-2014](#)

- General and special meetings of association; notice
- [10-2014. General and special meetings of association; notice](#)
- The by-laws shall provide for one or more regular meetings annually. The board of directors may call a special meeting at any time, or ten per cent of the members may file a request for a special meeting, stating the specific business to be brought before the association, and the meeting shall thereupon be called by the directors. Notice of all meetings, together with a statement of the purposes thereof, shall be mailed to each member at least ten days prior to the meeting, but the by-laws may require that such notice be given by publication in a newspaper.

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- [10-2015](#)

- Referral to membership
- [10-2015. Referral to membership](#)
- Upon demand of one half of the entire board of directors any matter that has been approved or passed by the board shall be referred to the membership or the shareholders for decision at the next special or regular meeting.

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- [10-2016](#)

- Marketing contracts; remedies for breach
- [10-2016. Marketing contracts; remedies for breach](#)
- A. The association and its members may make and execute marketing contracts requiring the members to sell, for any period of time not over ten years, all or any specified part of their agricultural products, their specified commodities or their manufactured goods exclusively to or through the association or its facilities.
- B. The membership contract may provide for membership for a longer period than ten years but not exceeding thirty years, if the contract provides opportunity to the members for withdrawal at least once each year.
- C. The contract may provide that the association may sell the products of its members, with or without taking title thereto, and pay to its members the average sale price based on grade and quantity, after deducting all necessary selling, overhead and other costs and expenses.
- D. When provided in the bylaws, the marketing contract may fix, as liquidated damages, specific sums to be paid by the members to the association upon the breach by him of any provision of the marketing contract regarding the sale or delivery or withholding of products, and that the member will pay all costs, premiums for bonds, expenses and fees

if an action is brought upon the contract by the association, and such provision shall be valid and enforceable in the courts.

- E. In event of a breach, or threatened breach, of the marketing contract by a member, the association may apply for an injunction to prevent the further breach of the contract, and to enforce specific performance thereof.

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- [10-2017](#)

- Pilot agreement; list of other agreements; recording

- [10-2017. Pilot agreement; list of other agreements; recording](#)

- The association may record one of the executed marketing agreements in the office of the county recorder of the county in which the subscribing member is producing or proposing to produce the products to be marketed for him, and such agreement shall be known as the pilot agreement. After recording the pilot agreement, the association may, from time to time, in lieu of recording other agreements obtained from its members, file with the recorder an affidavit of its secretary stating that the association has executed agreements with other members, giving their names and addresses, a description of the premises owned or leased by each of the members and the date on which the agreements were executed by the members. The affidavit, when so filed, shall be recorded in the book of miscellaneous records, and shall constitute notice of the agreements.

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- [10-2018](#)

- Investments; limitation; disposition of profits

- [10-2018. Investments; limitation; disposition of profits](#)

- A. An association may organize, form, operate, own, control, have an interest in, own stock of or be a member of any other corporation, with or without capital stock, engaged in processing, handling, utilizing, manufacturing, marketing, financing or selling products or services handled by the association, or the by-products thereof.
- B. Profits or income received from the investments provided for in subsection A may be added to the reserves of the association to be distributed or handled according to the discretion of the board of directors.
- C. An association may enter into agreements and arrangements with another cooperative corporation or association formed in this or any other state for the cooperative and more economical carrying on of its business, or any part thereof. Any two or more associations may by agreement unite in employing and using the same methods, means and agencies for conducting their businesses.

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- [10-2019](#)

- Annual reports

- [10-2019. Annual reports](#)

- The association shall make an annual report on forms furnished by the corporation commission, containing a general statement of its business during the fiscal year showing:
  1. The number of members and amount of membership fees received.

- 2. The total expense of operations.
- 3. Its indebtedness or liabilities, and its balance sheets.
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- [10-2020](#)
- License and other fees; tax exemption
- [10-2020. License and other fees; tax exemption](#)
- Each association shall pay a nonrefundable annual license fee of ten dollars. A nonprofit agricultural products association formed pursuant to this article shall be exempt from all franchise or license taxes imposed on its income. Each association shall pay a nonrefundable fee of ten dollars for filing articles of incorporation and a nonrefundable fee of two dollars fifty cents for filing an amendment to the articles. All other for-profit association filing, service and copying fees are determined pursuant to section 10-122 and all other nonprofit association filing, service and copying fees are determined pursuant to section 10-3122.
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- [10-2021](#)
- Distribution of unclaimed reserves
- [10-2021. Distribution of unclaimed reserves](#)
- If, after ten years from the date of declaration of distribution of reserves, any reserves so distributable remain unclaimed, they may be used by the association in its research and educational work.
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- [10-2022](#)
- Associations not deemed in restraint of trade
- [10-2022. Associations not deemed in restraint of trade](#)
- An association shall not be deemed to be a combination in restraint of trade, an illegal monopoly or an attempt to lessen competition or fix prices arbitrarily. The marketing contracts or agreements between the association and its members, or any agreements or acts authorized by this article, shall not be considered in restraint of trade.
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- [10-2023](#)
- Inducing breach of contract; spreading false report; classification
- [10-2023. Inducing breach of contract; spreading false report; classification](#)
- A person knowingly inducing any member of an association to breach his marketing contract with the association, or who knowingly spreads false reports concerning the finances or management thereof, is guilty of a class 2 misdemeanor, and is also liable to the injured association in a civil action in the sum of five hundred dollars.
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- [10-2024](#)
- Producer-distributor agreement not to join, become or remain member of cooperative or trade association

- [10-2024. Producer-distributor agreement not to join, become or remain member of cooperative or trade association](#)
- Every undertaking or promise made, whether written or oral, express or implied, is contrary to public policy and void and shall not afford any reason for granting legal or equitable relief, when constituted or contained in a contract or agreement for the sale of agricultural, horticultural or dairy products between a producer of such products and a distributor or purchaser thereof, whereby either party to the contract or agreement undertakes or promises not to join, become or remain a member of a cooperative association organized under this article, or of a trade association of the producers, distributors or purchasers of such products.
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- [10-2025](#)
- Security law; applicability
- [10-2025. Security law; applicability](#)
- Title 44, chapter 12 applies only to a cooperative association that is formed under this article if either:
  - 1. The cooperative association is formed with capital stock.
  - 2. The cooperative association exercises its powers pursuant to section 10-2005, paragraph 10.
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- [10-2026](#)
- Merger, interest exchange, conversion, domestication or division; definitions
- [10-2026. Merger, interest exchange, conversion, domestication or division; definitions](#)
- A. A domestic cooperative association may be a party to or otherwise undertake a merger, an interest exchange, a conversion, a domestication or a division by complying with chapter 34 of this title and title 29, chapter 6.
- B. If a domestic cooperative association is to be created in a merger, a conversion, a domestication or a division, the initial members of the association must consist of any of the following:
  - 1. Five or more persons engaged in the production of agricultural products pursuant to section 10-2003, subsection A.
  - 2. Five or more small businesses, individuals or entities engaged in the marketing and distribution of manufactured goods for import and export purposes.
  - 3. Five or more persons for the purpose of producing, manufacturing and selling goods or services.
- C. For the purposes of this section, references in chapter 34 of this title to a "corporation" are deemed references to a domestic cooperative association.
- D. For the purposes of this section:
  - 1. "Conversion" means a transaction authorized by title 29, chapter 6, article 4.
  - 2. "Division" means a transaction authorized by title 29, chapter 6, article 6.
  - 3. "Domestication" means a transaction authorized by title 29, chapter 6, article 5.
  - 4. "Interest exchange" means a transaction authorized by title 29, chapter 6, article 3.
  - 5. "Merger" means a transaction authorized by title 29, chapter 6, article 2.
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