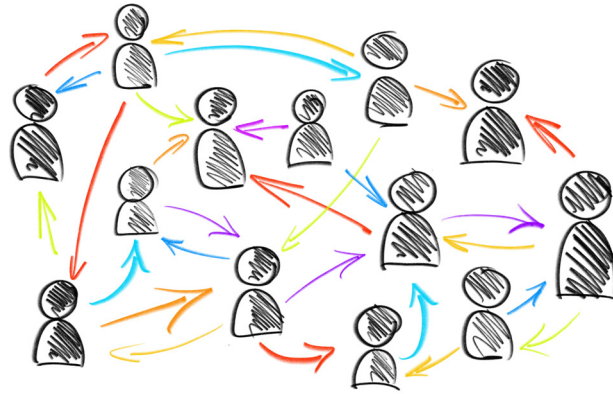


Quick Summary: Ohio's Cooperative Law (Ohio Revised Code §1729)



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An enterprise's legal structure informs who is in control, who is liable for losses by or actions of the enterprise, how the enterprise raises capital, and who receives income and suffers losses, among other key aspects.¹

Business entities are organized according to state law and, generally, cooperative state statutes set up the legal framework of a cooperative, including the purpose for which cooperatives may be formed, governance rights, membership, and more. There is diversity in the cooperative laws across the United States. The following is a brief summary of the Ohio Cooperative Law, codified in the Ohio Revised Code §1729, in key areas of cooperative organization and structure.

For what purpose can a cooperative be formed?

A cooperative can be organized "for any lawful purpose permitted to corporations by the laws of this state, except any such purpose that is inconsistent with the provisions of this chapter or other chapters of Title XVII of the Revised Code. This section does not authorize any professional services otherwise prohibited by law."²

How many people does it take to form a cooperative?

Two or more individuals may form a cooperative under Ohio Rev. Code §1729.³

What are a cooperative's organizational documents?

A cooperative must adopt articles of incorporation that include information like the name and purpose of the cooperative and the names and addresses of its incorporators.⁴

A cooperative must also adopt bylaws,⁵ which generally contain provisions about "the control, regulation, operation, management, or government"⁶ of the cooperative, including the time, place, and manner of meetings; voting; composition of the board of directors, including qualifications; and conditions of membership, among other areas.⁷



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How is a cooperative governed?

Authority for a cooperative is held by a board of directors who are elected from and by the cooperative's members.⁸ A cooperative board may appoint outside directors with the same powers, rights, and responsibilities as other directors, as long as outside directors are no more than one-fifth of the entire board.⁹ A cooperative's board must elect officers annually, including a president, secretary, and treasurer, although one or more officer position may be held by the same person, although the person may not execute, acknowledge, or verify any instrument in more than one capacity where multiple officers are required.¹⁰

What meetings are required in a cooperative?

Cooperatives must hold an annual member meeting.¹¹ Also, special meetings may be called by the board or members, as long as specific procedures are followed.¹² A cooperative's bylaws may also provide for the time, place, and manner of cooperative meetings.¹³

How are profits distributed in a cooperative?

The net income from business with or for members and other eligible patrons of the cooperative must be distributed to members and other eligible patrons on the basis of patronage, as provided in the bylaws or other written agreements of the cooperative.¹⁴

How are voting rights allocated in a cooperative?

Members entitled to vote generally have one vote, unless the bylaws or articles permit voting in proportion to patronage, or by delegate, or by another method set in the bylaws that allows for member control.¹⁵

Is liability limited in a cooperative?

Generally, members, directors, and officers are not personally liable for obligations of a cooperative¹⁶, although directors can face personal liability in certain situations.¹⁷

The cooperative model allows for diverse applications and as some might say, "If you've seen one cooperative, you've seen one cooperative." Accordingly, the ways cooperatives implement the unique "co-op difference" can vary widely. Individual cooperatives may also establish additional frameworks via organizational documents like bylaws, policies, member agreements, or other pieces. The application of other laws and regulations will also inform how cooperatives are structured and how they function. This document is meant to share the basic framework of a cooperative under the Ohio Cooperative Law.

This information is provided for educational purposes only. It is not legal advice. It is not a substitute for the potential need to consult with a competent attorney licensed to practice law in the appropriate jurisdiction.

References

¹ Doug O'Brien, Neil D. Hamilton, & Robert Luedeman, *The Farmer's Legal Guide to Producer Marketing Associations* 25 Drake University Agricultural Law Center (2005).

² Ohio Rev. Code §1729.02(A)

³ Ohio Rev. Code §1729.06(A)

⁴ Ohio Rev. Code §1729.07(A)(1)-(7)

⁵ Ohio Rev. Code §1729.14

⁶ Ohio Rev. Code §1729.14(O)

⁷ Ohio Rev. Code §1729.14 (A)-(O)

⁸ Ohio Rev. Code §1729.22(A)

⁹ Ohio Rev. Code §1729.22(C)

¹⁰ Ohio Rev. Code §1729.26(A)

¹¹ Ohio Rev. Code §1729.18(B)

¹² Ohio Rev. Code §1729.18(B)-(C)

¹³ Ohio Rev. Code §1729.14(A)

¹⁴ Ohio Rev. Code § 1729.13(A)

¹⁵ Ohio Rev. Code §1729.17

¹⁶ Ohio Rev. Code §1729.25(A)

¹⁷ Ohio Rev. Code §1729.25(B)-(F)