



KEY INCORPORATION TERMINOLOGY

*Cooperative Incorporation Workshop: How to Become a
Worker-Owned Cooperative Business In Arizona
September 14, 2022*

STATUTORY AGENT

The state's official contact for all business legal documents and official communications. This can be one of the member-owners, or a third-party agent.

INCORPORATOR

Often an owner, the person responsible for registering the corporation with the state and filing the Articles of Incorporation.

DISSOLUTION

The closing down of the business and the dismissal of the cooperative member-ownership.

INDEMNIFICATION

To compensate for harm or loss, or to protect against legal liability.

STOCK

The capital of the business, a portion (or "share" of which gives shareholders certain rights.

SHARE

One of the equal parts of a company's capital, or stock, often held alongside others and generally entitling one to one vote in the business.



MEMBER

Depending on the type of cooperative, there are different tiers for membership. Generally, members co-own, or have a share of the business. They also have a say in how the business is run.

BOARD OF DIRECTORS

The elected body that makes regular decisions for the business and reports out to the membership. It is often made up of 5-7 people. For smaller memberships, oftentimes all members are also board directors until expansion to a larger number.

INITIAL CAPITAL CONTRIBUTION

This is the monetary “buy-in” that is provided in exchange for cooperative membership and a share in the business..

CANDIDACY PERIOD

A requirement to becoming a member-owner, it is the period during which a candidate’s performance is observed, often around 6 months.

QUORUM

A quorum is the minimum number (or percentage) of members required to be present at any given meeting in order for the decisions made during that meeting to be valid.

CUMULATIVE VOTING

A type of voting for directors that allows one shareholder to apply all of their votes (i.e. proportional to the number of directors) to a single director candidate. This type of voting is not valid in a Cooperative.

PROXY VOTING

A voting system in which a ballot is cast by someone on behalf of another. This type of voting is not valid in a Cooperative.



EQUITY

Equity represents the total assets of a company, of which members own shares through buy-in.

PATRONAGE DIVIDENDS

A portion of cooperative profits paid out to its member-owners. In a worker cooperative, this is provided based on a worker-owners number of hours worked in the past year.

SURPLUS

While it is often used to refer to profits, surplus refers specifically to the net income generated by members, or worker-owners.

PROFIT

Profit refers to the net income generated by non-members.

Note: Surplus and profit in a cooperative are often allocated towards: the Cooperative, internal capital accounts (i.e. growing equity pertaining to each worker-owner), and patronage dividends.

LIQUIDATION

The selling or distributing of a cooperatives assets to claimants as a result of dissolution.

RESERVE

A savings account or liquid asset set aside to cover unforeseen costs, losses or contingencies.

Sources:

*<https://cdi.coop/profit-sharing-in-worker-coops/>
Image from Storyset*