

# Sample Membership Agreement



The by-laws and articles of incorporation are a worker cooperative's core governing documents. They determine how power, money, and information flow through a firm, addressing things like how an employee becomes a worker-owner (also known as a member-owner) of the cooperative, and how profits are distributed.

The **membership agreement** is the contract between the individual worker-owners and the co-op. Workers sign this document when they buy their membership share, and it is the legal mechanism that makes a worker a worker-owner.

The membership agreement is NOT an employment contract. The agreement outlines the relationship between worker-owners and the co-op, and specifies:

- ▶ An agreement to follow the rules in the by-laws
- ▶ Cost of the membership share
- ▶ Distribution of the cooperative's profits
- ▶ A process and schedule for profit distribution
- ▶ Limitations on selling the membership share

In most cases, this membership agreement can simply be filled out and used as is. However, the offer and sale of membership shares requires careful attention to federal and state securities laws and to other state laws regarding stock purchase agreements. A qualified attorney or other expert should be consulted for assistance in adapting this membership agreement to your needs.

# Membership Agreement

## [ABC, Inc.]

Name of Applicant: \_\_\_\_\_

Address of Applicant: \_\_\_\_\_

Date of Application: \_\_\_\_\_

- ① **Membership.** I hereby apply to be a Member of [ABC, Inc.] (hereinafter, the "Corporation"), a corporation incorporated and doing business under the laws of the State of \_\_\_\_\_ and operating on a cooperative basis.
- ② **Articles & Bylaws.** I acknowledge receipt of a copy of the Articles of Incorporation (hereinafter the "Articles") and the bylaws (hereinafter the "Bylaws") of the Corporation. I agree to abide by the provisions of the Articles and Bylaws and hereby approve and ratify the Articles and Bylaws. Capitalized terms used in this agreement have the same meaning as in the Bylaws.
- ③ **Membership Share.** I agree to pay to the Corporation a Membership Fee of \_\_\_\_\_ dollars (\$\_\_\_\_\_) as consideration for receipt of a Membership Share, issued to me by the Corporation in accordance with the Articles and Bylaws. I understand that my Membership Share is not transferable, and I agree not to sell, assign any interest in, or otherwise transfer my Membership Share, except as provided herein.
- ④ **Membership Eligibility and Voting.** I agree to patronize the Corporation through provision of my labor and, during the period of my Membership, to satisfy the eligibility criteria for Members determined in accordance with the Articles and Bylaws. I understand that I will be entitled to one vote in any matter requiring voting by Members.
- ⑤ **Patronage Allocations.** I understand that the Corporation may allocate a portion of its annual net income or loss to the Members and that I will receive such allocations, if any, on the basis of patronage and at the discretion of the Board of Directors. In any proportions determined by the Board of Directors, such allocations may be in cash or in the form of Written Notices of Allocation credited to my Internal Capital Account and redeemed in cash at a future date.

- ⑥ **Distributions & Losses.** I understand that my Membership Fee and any Written Notices of Allocation are subject to loss and will be repaid to me only in such amounts, at such times, and in accordance with terms as determined by the Board of Directors pursuant to the Articles and Bylaws.
- ⑦ **Termination.** I agree that, upon the voluntary or involuntary termination of my employment and Membership in the Corporation, I will transfer my Membership Share back to the Corporation for the consideration, if any, determined in accordance with the Articles and Bylaws. I understand that allocations of annual net income and loss to the Members may increase or decrease the consideration that I will receive for my Membership Share upon termination. I understand that such consideration may be paid over a period of time determined by the Board of Directors in accordance with the Articles and Bylaws.
- ⑧ **Taxation.** I agree to include in my taxable income the stated dollar amount of any Qualified Written Notices of Allocation that I receive and to satisfy any federal and state income tax obligations imposed on those amounts under the tax laws.
- ⑨ **Operating Rules.** *[Optional]* I acknowledge receipt of the Operating Rules of the Corporation and agree to adhere to all policies contained therein.
- ⑩ **Withdrawal.** I understand that I may at any time withdraw my labor and terminate my Membership in the Corporation; provided, however, that I agree to be bound by any terms and conditions in the Articles, the Bylaws, the Operating Rules, or this agreement.

Accepted and agreed to:

\_\_\_\_\_  
[Name of APPLICANT]

\_\_\_\_\_  
DATE

\_\_\_\_\_  
The foregoing application and agreement is hereby accepted on behalf of [ABC, Inc.] by the undersigned duly authorized officer, subject to the terms and conditions hereof.

**[ABC, Inc.]**

BY:

\_\_\_\_\_  
[Name], President, [ABC, Inc.]

\_\_\_\_\_  
DATE