

For cooperative businesses applying for an EIDL, SBA recommends submitting an addendum with your application that explains the cooperative ownership structure of your company. Since not all SBA employees are familiar with cooperatives, providing an explanation can help cut down on processing time.

The following language is sample language for cooperatives with more than five members "operating on a cooperative basis" in compliance with Subchapter T of the Internal Revenue Code.

DISCLAIMER: This resource is for informational purposes only and not for the purpose of providing legal advice. You should contact your attorney to obtain advice with respect to any particular issue or problem.

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**COMPANY NAME** is a worker cooperative, owned and controlled by the people who work in the company. Employees become owners, or members, by purchasing a membership share. Unlike in other companies, each worker-owner can only own one membership share, or one equal portion of the company. With **XX** current members, no single member owns more than 20% of the company. The **Board of Directors (OR the membership, if the cooperative does not have a Board of Directors)** retains the primary authority and responsibility for managing the affairs of the cooperative.

Our business "operates on a cooperative basis" in compliance with Subchapter T of the Internal Revenue Code, meaning it possess the following characteristics:

- (1) Promotes the subordination of capital, with respect to control over the cooperative undertaking (i.e. power and control are not allocated based on the amount of capital invested)
- (2) Affords democratic control by the members;
- (3) Vests in and allocates among the members all net profits