Bylaws for Cooperatives, including a Sample Outline

Note: In Wisconsin, there are two governing statutes for cooperatives: Chapter 185 and Chapter 193. The statutes include general requirements or guidelines for many of the following bylaw topics. If the bylaws do not address a particular topic, a statutory provision becomes the default requirement.

From How to Start a Cooperative, Cooperative Information Report 7, United States Department of Agriculture, Rural Business-Cooperative Service, Galen Rapp and Gerald Ely, Revised April 2015.

BYLAWS

Bylaws state how the cooperative will conduct business and must be consistent with both State statutes and the articles of incorporation. Bylaws are like the owners’ manual of the cooperative business. Bylaws are not filed with the State, but are considered legally binding among members.

Bylaws usually have:

- membership requirements and a list of the rights and responsibilities of members;
- grounds and procedures for member expulsion;
- procedures for how to call and conduct membership meetings, methods of voting, processes for electing or removing directors and officers, and number, duties, terms of office, and compensation;
- time and place of director meetings;
- dates of the fiscal year;
- requirement to conduct business on a cooperative basis;
- how net margins will be distributed;
- process for redemption of members' equity;
- a consent provision that members will include the face value of written notices of allocation and per-unit retain certificates as income in the year they are received;
- distribution process for non-patronage income;
- procedures for handling of losses;
- guidelines for how nonmember business will be treated;
- process for dissolution of the cooperative;
• provisions for indemnification of directors; and
• the process for amending the bylaws.

Also covered is how the board is structured to represent the membership, given geographical distribution and size of the membership and the scope of business and function of the cooperative. Directors may be selected to represent districts based on membership density, to reflect commodities or services to be handled, or some other basis that provides equitable representation. The steering committee's recommended management structure should include the basis for director representation, voting methods, and board officers, and their terms.

For marketing cooperatives that lack a marketing agreement, the bylaws specify the extent of members' obligation to market through the cooperative. They outline the terms and conditions under which the products will be marketed and accounting procedures.

The steering committee prepares the articles and bylaws with the help of an attorney to ensure that provisions comply with laws of the State in which the cooperative is incorporated. The committee's role is to assure the bylaw provisions will not conflict with operating procedures.

(See Appendix N on following page for a sample outline of cooperative bylaws.)
This outline provides an example of how Cooperative Bylaws might be set up.*

Article I - Membership
  Section 1. Qualifications
  Section 2. Suspension or Termination

Article II - Meetings of Members
  Section 1. Annual Meetings
  Section 2. Special Meetings
  Section 3. Notice of Meetings
  Section 4. Voting
  Section 5. Quorum
  Section 6. Order of Business
    Determination of quorum
    Proof of due notice of meeting
    Reading and disposition of minutes
    Annual reports of officers and committees
    Unfinished business.
    New business
    Election of directors
    Adjournment

Article III - Directors and Officers
  Section 1. Number and Qualifications of Directors
  Section 2. Election of Directors
  Section 3. Election of Officers
  Section 4. Vacancies
  Section 5. Regular Board Meetings
  Section 6. Special Board Meetings
  Section 7. Notice of Board Meetings
  Section 8. Quorum
  Section 9. Reimbursement and Compensation
  Section 10. Removal of Directors

Article IV - Duties of Directors
  Section 1. Management of Business
  Section 2. Employment of Manager
  Section 3. Bonds and Insurance
  Section 4. Accounting System and Audits
  Section 5. Depository

Article V - Duties of Officers
  Section 1. Duties of President
  Section 2. Duties of Vice President
  Section 3. Duties of Secretary
  Section 4. Duties of Treasurer
Article VI- Operation at Cost and Members’ Capital
   Section 1. Operation at Cost
   Section 2. Margin Allocation
   Section 3. Per Unit Retains
   Section 4. Dividends
   Section 5. Records and Documentation
   Section 6. Fiscal Year

Article VII- Equity Redemption
   Section 1. Regular Redemption
   Section 2. Discretionary Special Redemptions

Article VIII- Consent

Article IX- Nonpatronage Income

Article X - Losses
   Section 1. Patronage Losses
   Section 2. Nonpatronage Losses
   Section 3. General Provisions

Article XI- Dissolution and Property Interest of Members

Article XII- Indemnification

Article XIII- Amendments

We, the undersigned, being all of the incorporators and members of the association, do hereby assent to the foregoing bylaws and do adopt the same as the bylaws of said association; and in witness whereof, we have hereunto subscribed our names, this day of ___, 20__.

*Steering committee should hire legal counsel to help prepare legal documents.