



Center for Cooperatives
UNIVERSITY OF WISCONSIN-MADISON

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.