



WISCONSIN LEGISLATIVE COUNCIL ACT MEMO

2005 Wisconsin Act 441
[2005 Assembly Bill 1186]

**Unincorporated Cooperative
Associations**

2005 Wisconsin Act 441 creates chapter 193 of the statutes and authorizes the creation of a new type of business organization called an unincorporated cooperative association (UCA).

The Act authorizes a UCA to be organized for all of the following purposes: (1) to market, process, or otherwise change the form or marketability of products, including crops, livestock, and other agricultural products, to manufacture products, to accomplish other purposes that are necessary or convenient to facilitate the production or marketing of products, and to accomplish other purposes that are related to the business of the UCA; (2) to provide products, supplies, and services to its members; and (3) to accomplish any other lawful purpose. The Act prohibits a UCA from being organized for the purpose of furnishing natural gas, heat, light, power, or water to its members.

With respect to UCA's, Act 441 does all of the following:

- Provides that a UCA may be organized by one or more individuals over age 18, who are not required to be members of the UCA. If the UCA's first board of directors is not named in the articles, the organizers may elect the first board of directors or act as directors themselves until directors are elected or a contribution is accepted, whichever occurs first. The UCA organizers must file articles of organization with the Department of Financial Institutions. The Act specifies the types of information that must be included in the articles.
- Prohibits a cooperative organized under ch. 185, Stats., from converting to a UCA regardless of whether the conversion is accomplished directly within Wisconsin or indirectly through or with any out-of-state entity.
- Requires a UCA to have bylaws, which must contain the provisions specified in the Act, including a statement, if nonpatron membership interests are authorized, as to how profits

This memo provides a brief description of the Act. For more detailed information, consult the text of the law and related legislative documents at the Legislature's Web site at: <http://www.legis.state.wi.us/>.

and losses will be allocated and cash distributed between patron membership interests collectively and nonpatron membership interests collectively.

- Provides that the board of directors governs the UCA and that no director or group of directors may act for or on behalf of the UCA unless authorized by the board. The UCA is required to have at least five directors; however a UCA with 50 or fewer members may have at least three directors. A majority of the directors must be UCA members and must be elected exclusively by patron members, unless otherwise provided in the articles or bylaws. The patron members may elect an outside director who is an expert in financial matters but who has no financial interest in the UCA.
- Provides that the directors elected by patron members have collectively at least 51% of the voting authority on the board on general matters of the UCA. The patron directors' vote must be voted collectively as determined by a majority vote of the patron directors. The UCA articles or bylaws may not reduce the collective patron member vote to less than 51% of the total member vote.
- Requires the board to establish an audit committee consisting of members who will ensure an independent review of the UCA's finances, to review the financial information and accounting reports of the UCA. The Act also requires a director on the board to annually attend financial education courses offered by a recognized provider of cooperative director education.
- Requires a UCA to have at least one patron member, except that if any patron member is a natural person, a UCA must have at least five patron members who are adult, natural persons.
- Authorizes a UCA to have nonpatron members if the patron members by majority vote approve an article, bylaw, or amendment authorizing nonpatron members. If nonpatron membership interests are authorized by the patron members, all patron membership interests, collectively, must not have less than 51% of the UCA's financial rights to profit allocations and distributions. By majority vote, the patron members may authorize that patron membership interest, collectively, may have less than 51%, but not less than 30%, of the UCA's financial rights to profit allocations and distributions.

Effective Date: Act 441 takes effect on June 6, 2006.

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