

# **Silver City Food Co-op**

## **Summary of Proposed Changes to Articles of Incorporation and Bylaws**

### **Overview**

The basic elements of the proposed equity system are:

- Household memberships will remain in effect.
- To be a voting member-owner, you must purchase an annual share.
- For each share you purchase, you will receive a certificate.
- You will pay no sales tax on the shares you purchase.
- Each share you purchase will be credited to an equity account in your name.
- You will have one vote regardless of the number of shares in your equity account.
- If you decide to leave the Co-op, you will be able to request your equity investments be returned to you.
- The Board of Directors may also return equity investments on a group basis.
- The Board of Directors sets the share price, as it deems appropriate. The share price can be increased or decreased, depending on the capital needs of the Co-op.

### **Articles of Incorporation**

Click on the links to download

- [current Articles of Incorporation](#)
- [proposed Articles of Incorporation](#).

In the proposed Articles of Incorporation, the following sections have been modified:

- Article II has been shortened by eliminating purposes A and B that are more appropriately detailed in the Co-op's Bylaws.
- Article VII lists the current directors.
- Article VIII is a complete rewrite that specifies how the Co-op will be re-organized with shares. Legally, we have to use the word shares.

### **Bylaws**

Click on the links to download

- [current Bylaws](#)
- [proposed Bylaws](#)

In the proposed Bylaws, the following sections have been significantly modified to address the proposed equity system:

- Section 1-1 states that the Co-op is organized with shares. Legally, we have to use the word shares.
- Article II: Membership  
This article details the admission requirements (must purchase a share); defines member-owner; defines active and inactive status (must purchase a share annually to maintain active status); elaborates the importance of providing current address; and describes lifetime

# **Silver City Food Co-op**

## **Summary of Proposed Changes to Articles of Incorporation and Bylaws**

memberships issued to founding members and how founding members can become shareholding member-owners.

- **Article VII: Capitalization**  
This is a new article in the proposed Bylaws.
  - a. Section 7-1 clarifies one member-owner/one vote (no matter how many shares a member-owner has), a key legal requirement.
  - b. Section 7-2 identifies the three vehicles for capitalization.
- **Article VIII: Member Equity**  
This is a new article in the proposed Bylaws. It gives the board of directors fiduciary responsibility for member equity. It explains how equity accounts work, and under what conditions equity investments may be returned to member-owners.

Other sections of the proposed Bylaws that have been modified are:

- **Section 2-1: Household membership** has been clarified.
- **Article III: Membership Meetings**  
The sections in this article have been reordered so the topics are in logical order.
  - a. Section 3-1: A statement on the purpose of general membership meetings has been added.
  - b. Section 3-2: The requirements for written petition now comply with NM statutes—a petition must be signed by at least 10% of the active members.
  - c. Section 3-3: Notice of meetings can be by email.
  - d. Section 3-5: Decision-making has been clarified.
- **Article IV: Board of Directors**  
The sections in this article have been reordered so the topics are in logical order.
  - a. Section 4-2: Lists two new responsibilities: 3 and 5. The list has been reordered so that related responsibilities appear together.
  - b. Section 4-3: Removes the restriction “a partner to a Co-op employee shall not be eligible to serve as a director” that is in our current Bylaws.
  - c. Section 4-9: Describes the three types of board meetings (regular meetings, special meetings, and executive sessions) and who can attend them.
  - d. Section 4-10: States that board decisions shall be made via a democratic process, rather requiring all decisions be made by consensus.
  - e. Section 4-12 in our current Bylaws on governing style has been deleted.
- **Sections 6-1 and 6-2:** All references to criminal proceedings that are in our current Bylaws have been deleted. In other words, directors or former directors who are involved in criminal proceedings will not receive indemnification protection from the Co-op.
- **Article IX: Patronage Refunds**  
Many edits have been made in this article to clarify the content and to address legal requirements.
- **Article X: Rules and Procedures for Ceasing Operations**  
This article now references the NM statutes instead of paraphrasing the statutes.
- **Section 11-3:** The last sentence in this section adds the legal requirement of 30 days advance notice of the meeting to amend the Co-op’s Bylaws.