



**IMPORTANT**

## **MEMBER-OWNER VOTE #3**

**March 23, 2024**

**Title:** Vote to Adopt the Board of Directors Proposed Revisions to Bylaw 7.01 Related to Stock

**Resolution:** We, the Member-Owners of Sevananda Natural Food Cooperative, hereby adopt the February 21, 2024 votes of the Board of Directors, which approved certain revisions, additions and deletions from Bylaw section 7.01 the 2014 Bylaws. As such, the approved revisions will take full effect on March 23, 2024.

### **Introduction:**

- Sevananda had Bylaws as a not-for-profit organization from 1974 - 1995. In 1995, Sevananda became incorporated as a cooperative under Wisconsin law. Sevananda filed its first Articles of Incorporation as an official cooperative organization in 1995 with the state of Wisconsin.
- Bylaws set forth the rights and duties of Member-Owners and the Board of Directors. They contain provisions that regulate how the cooperative's affairs are managed consistent with the governing laws of the State of incorporation (Wisconsin).
- Wisconsin law requires that "[a] cooperative shall have bylaws governing the cooperative's business affairs and structure, the qualifications, classification, rights, and obligations of members, and the classifications, allocations, and distributions of membership interests". WIST § 193.241(1)
- Since 1995, there have been several versions of the bylaws, A revision to a couple sections was made by the board in 2018, but the board at the time wasn't clear on its legal responsibility to present to member-owners. The 2018 revisions will be removed as a result of the revisions presented to member-owners now. We also recently adopted a couple revisions in November 2023, which are included in the final revisions presented now for vote.
- Since 1995, it has been the practice of Sevananda, codified in the Bylaws, that the criteria for membership included purchase of six (6) shares of Class A stock, and has titled those six (6) shares as "One Full Share".
- The number of shares available for sale is limited by the number authorized in the Articles of Incorporation and the laws of Wisconsin.

### **History:**

Last year, after a review of the Bylaws with the Board consultant, the Board of Directors found that the current and existing bylaws were out of compliance with Wisconsin law. The Board of Directors voted to

create a Bylaw Revision Committee to enact the needed changes to the existing Bylaws. The Subcommittee's purpose was to review the bylaws, identify the areas that needed to be brought into compliance, and consult with legal counsel to ensure that the bylaws were properly revised. The Subcommittee prepared draft revisions for review and approval of the Board of Directors.

On May 16, 2023, the Bylaw Revision Committee was formed and began meeting weekly. During this year-long process, the committee reported their progress to the Board of Directors during the regular monthly board meetings. At the recommendation of a Board consultant, we have worked with attorneys at Dorsey & Whitney LLP in Minneapolis, Minnesota that specialize in business and cooperative law.

While working to revise the current Bylaws to comply with Wisconsin state law, the Bylaw Revisions Committee discovered some unclear language in Bylaw section 7.01 related to the issuance of stock. The committee chair took this information to the attorney to receive their feedback. Upon further review and looking into the Articles of Incorporation regarding what is stated regarding stocks, it was discovered that the Articles of Incorporation, the Bylaws, and the organizational documents (such as the member-owner application, stock certificate, member-owner brochure, etc.) are not aligned.

According to the Articles of Incorporation, since they were initially drafted in 1995, one share of Class A stock has a par value of twenty dollars (\$20.00) per share.

However, the current Bylaws, and as far back as at least 1996, states, "For a membership investment, the cooperative shall issue Class A stock having a par value of one hundred and twenty dollars (\$120.00) per share. A Full Share will consist of six (6) shares of Class A stock."

In both the Bylaws and organizational documents, the purchase of those six (6) shares was called "One Full Share", which has created confusion regarding the number of shares that Member-Owners have actually purchased and what remains available for sale.

Legally, one share of stock cannot equal six shares of stock. The attorney advised us that we have been selling six (6) shares of Class A stock to each Member-Owner. The simplest solution proposed by the attorney is to raise the total number of shares the organization is authorized to sell and to maintain the current practice of a full investment equaling six (6) shares, and to clean up any confusing language in the Bylaws. Therefore, the Board of Directors needed to revise Bylaw section 7.01 to remove confusing language.

According to the current Bylaws (section 5.1), bylaws can also be amended by the Board of Directors, but any amendment adopted by the Board of Directors shall be reported to the next annual meeting of members and is subject to amendment or repeal by vote of the members.

**Attachments For Review:**

1. Final draft of revision to Bylaw 7.01
2. Prior version of Bylaws
3. Relined Bylaws identifying changes.

**Vote:**

Vote for

Vote against