

By-Laws of Middlebury Natural Foods Co-Op

Amended May 26, 2009

Article I - Organization

- 1.1 Name. The name of the organization is Middlebury Natural Foods Cooperative (referred to in these by-laws as “MNFC”).
- 1.2 Purpose. The purpose of MNFC is to provide its member-owners an alternative means to purchase food and other products. MNFC is required to be operated on a cooperative basis for the benefit of its member-owners and the community.
- 1.3 Objectives. The objectives of MNFC are to provide a democratic, member-owned nonprofit cooperative organization; to provide healthy foods and other useful goods and services at the lowest possible cost; to encourage patterns of production and consumption that are ecologically sound and healthful; and to serve as a center for activities, education and services consistent with these objectives.
- 1.4 Location. The principal office of MNFC shall be at 1 Washington Street, Middlebury, Vermont 05753 until changed by the Board of Directors.

Article II - Membership

- 2.1 Admission. Member-ownership in MNFC shall be voluntary and open to any person in accord with its purpose and objectives and desiring to patronize MNFC. Applicants shall be admitted to member-ownership upon paying or agreeing to pay the financial obligations set forth below. In case of doubtful eligibility, admission to member-ownership shall be subject to approval by the Board of Directors at any time within six months after the date of admission.
- 2.2 Rights of member-owners. Member-owners shall be entitled to make purchases from MNFC at prices generally available to member-owners and to participate in the governance of MNFC as described in these by-laws. Member-owners shall also be permitted to contribute services for additional discounts and other entitlements as determined by the Board.
- 2.3 Financial obligations. Member-owners shall be required to contribute a fair share of the capital needs of MNFC by purchasing one or more member-ownership shares each year until they have accumulated fifteen shares. The numbers of required shares may be increased only by member-owners at a meeting called in part for that purpose. Monetary obligations of member-owners may be waived in whole or in part by the Board of Directors for reasons of financial hardship.
- 2.4 Other responsibilities: Each member-owner shall keep reasonably current in payment of the share purchase requirement described in section 2.3 above. A member-owner who becomes delinquent in meeting his or her share purchase obligation to an extent determined by the Board, or who fails to keep MNFC advised of his or her address as evidenced by two notices or other communications having been returned by the post office as undeliverable, shall be placed into inactive status. His or her participation rights shall then be suspended. References herein to the rights and entitlements of member-owners shall be understood to refer only to member-owners in good standing.
- 2.5 Nontransferability. Member-ownership rights and interests may not be transferred except to MNFC. Following termination of member-ownership, MNFC will upon request transfer the carrying value of one or more shares to the credit of another person designated by the requesting member-owner, provided that the person so designated is a member-owner or acquires member-ownership status in

MNFC and the requesting member-owner certifies that he or she has not and will not receive consideration for the transaction in excess of the carrying value of the interests on the books of MNFC. Any attempted transfer contrary to this section shall be wholly void and shall confer no rights on the intended transferee.

- 2.6 Settlement of disputes. In any dispute between MNFC and any of its member-owners or former member-owners, which relates to normal member-ownership transactions and which cannot be resolved through informal negotiations, it shall be the policy of MNFC to prefer the use of mediation whereby an impartial mediator may facilitate negotiations between the parties and assist them in developing a mutually acceptable settlement. As to any dispute subject to this section, no recourse may be taken to judicial proceedings until the aggrieved party has submitted the matter to mediation and pursued its resolution in good faith.
- 2.7 Termination. Member-ownership may be terminated voluntarily by a member-owner upon notice to MNFC or for cause by the Board of Directors after the member-owner is provided fair notice of the charges and an opportunity to respond in person or in writing.

Article III - Meetings of member-owners

- 3.1 Annual meeting. An annual meeting of member-owners shall be held each year at a time and place determined by the Board of Directors. The purpose of the annual meeting shall be to hear reports on operation and finances, elect directors and conduct such other business as may properly come before the meeting.
- 3.2 Special meetings. Special meetings of member-owners may be called by the Board of Directors or by the President. Furthermore, special meetings shall be called by the Board as soon as practicable upon request of at least one-tenth of member-owners. Such requests shall specify any proper business to be conducted at the meeting.
- 3.3 Items submitted by member-owners. Notices of a meeting of member-owners shall include proper agenda items upon request by not less than 25 member-owners. Items must be submitted not less than two months before the date of the meeting.
- 3.4 Notice. Notice of the time and place of any meeting of member-owners, together with a statement of the purpose of the meeting, and, when authorized, written ballots, shall be mailed to all member-owners. Notices shall be mailed not less than ten nor more than forty days prior to the meeting.
- 3.5 Quorum. The presence in person or by written ballots of the member-owners equal in number to five percent of all member-owners shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of member-owners, with the exception of approving minutes.
- 3.6 Written ballots. When authorized by the Board of Directors, meetings may be conducted in whole or in part by means of written ballots submitted to MNFC prior to the date of the meeting.
- 3.7 Decision making. Each member-owner shall have one vote in all matters submitted to a vote of member-owners. Proxy voting shall not be permitted. All issues shall be decided by a majority of member-owners who are present and voting, or represented by written ballots, except where a higher percentage is required by law or by these by-laws. Upon request of at least six member-owners at a meeting at which member-owners are physically present, an issue shall be decided by paper ballots by those present. Decisions or issues which are not included in the notice of the meeting shall be of an advisory nature only.

Article IV - Board of Directors

- 4.1 Powers and duties. The business and affairs of MNFC shall be directed and controlled in the interest of member-owners by a Board of Directors (sometimes referred to in these by-laws as “the Board”). The powers and duties of the Board shall include direction and oversight of the management of MNFC, establishing policies and seeing that the purposes, objectives and policies of MNFC are properly carried out.
- 4.2 Number and Qualifications. The Board shall consist of eleven directors and one non-voting staff representative. To be qualified as a director, a person shall be a member-owner of MNFC and shall not be associated with interests adverse to MNFC, as determined by the Board. The function of the staff representative shall be to advance the interests of the staff before the Board and to facilitate communication between the Board and the staff.
- 4.3 Election and term. Directors shall be elected by member-owners to serve for terms of three years. The terms of directors shall be staggered so that no more than four expire in each fiscal year. **In the event of a tie vote for Director, the Board members shall choose a Director from among the candidates who tied. If an incumbent Board member is part of the tie, s/he will not participate in the decision-making process. (Amended 5/26/09)**
A staff representative shall be elected by the staff and approved by the Board and shall serve for a term of one year or until the election of his or her successor.
- 4.4 Contracts for profit. Except for fair compensation for services actually rendered, a director shall not during his or her term of office be a party to a contract for profit with MNFC differing in any way from the business relations accorded member-owners or upon terms differing from those generally current among member-owners.
- 4.5 Conflicts of interest. Directors shall be under an affirmative duty to disclose their actual or potential conflicts of interest in any matter under consideration by the Board, and such interest shall be made a matter of record in the minutes of the meeting. Directors having such an interest shall be permitted to make a statement with regard to the matter and shall then be required to leave the meeting room. A transaction in which a director has an interest shall be prohibited unless the transaction is fair to the Co-op and is approved by no less than a two-thirds majority of all disinterested directors.
- 4.6 Indemnification. In order to attract and retain qualified people to serve in positions of responsibility, MNFC shall indemnify its directors and officers to the fullest extent permitted under the Vermont Nonprofit Corporation Act, except that indemnification shall not be required if the person has been successful otherwise than on the merits in defense of any action, suit, claim or proceeding. Indemnification payments shall be made on a priority basis but only in such increments and at such times as will not jeopardize the ability of the Co-op to pay its other obligations as they become due. All such payments made shall be reported in writing to member-owners with or before the notice of the next meeting of member-owners.
- 4.7 Committees. The Board of Directors may designate an Executive Committee, consisting only of directors to exercise interim or other specified authority of the Board. The Executive Committee shall require notice to all its members and a quorum of not less than three persons to transact business. Such committee shall not operate to relieve the Board of its legal responsibilities. The Board of Directors may designate other committees, consisting only of member-owners of MNFC, to perform other designated functions.
- 4.8 Termination. The term of office of a director may be terminated in any of the following ways:

- (a) Voluntarily by a director upon notice to MNFC.
- (b) Automatically upon termination of member-ownership not reinstated within one month of appropriate notification.
- (c) With or without cause by member-owners at an annual or special meeting; and
- (d) For cause (including, but not limited to, failure to attend two consecutive Board meetings) by the Board of Directors upon the affirmative vote of no less than eight directors after the director is provided fair notice of the charges and an opportunity to respond in person or in writing.

4.9 Vacancies. Any vacancy among directors occurring between annual meetings may be filled at the Board's discretion for the balance of the unexpired term.

Article V - Meetings of the Board of Directors

- 5.1 Convening. The Board of Directors shall meet no less frequently than every other month. Meetings of the Board of Directors may be called by the Board or by the President and shall be called by the Secretary on request of any four directors. Meeting shall be open to all member-owners unless closed by the Board for good cause only as to particular issues.
- 5.2 Notice. Meetings called by resolution of the Board of Directors shall require no notice to directors other than such resolution. For all other meetings of the Board, actual notice, either written, oral, or electronic (including but not limited to email or voice mail), of the time and place of the meeting shall be given to all directors. Such written notice shall be delivered not less than five days before and oral notice given not less than 48 hours before the date of the meeting. Notice of all meetings of the Board shall, to the maximum extent practicable, be placed in a newsletter to member-owners or conspicuously posted in the store of MNFC but the inadvertent failure to do so shall not affect the validity of the meeting.
- 5.3 Quorum and decision making. A majority of directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors. Decisions of the Board of Directors shall be made by majority vote of directors present.
- 5.4 Action without a meeting. Any action required or permitted to be taken at a meeting of the Board of Directors may be taken without a meeting if a written consent to the action is given by all directors and filed with the minutes of the meetings.
- 5.5 Referendum. On request of any four directors, a decision of the Board of Directors shall be referred to a meeting of member-owners for approval. The decision of the Board shall not be executed except to the extent considered necessary by the Board but shall otherwise stand unless and until modified by member-owners. Such modification shall not impair the previously acquired rights of third parties.

Article VI - Officers

- 6.1 Designation. The officers of MNFC shall consist of President, Vice President, Treasurer, and Secretary and such other officers and assistant officers as determined by the Board of Directors. All officers shall be directors.
- 6.2 Selection and term. All officers shall be selected annually by the Board of Directors to serve for terms of one year or until selection of their successor. Officers may be removed at any time, with or without cause, by the Board of Directors.

6.3 Duties. Officers shall have the following duties and such additional duties as determined by the Board of Directors:

- (a) the President shall preside at all meetings of the Board of Directors and of member-owners, shall coordinate the activities of the Board, and shall, as authorized by the Board, sign formal documents on behalf of MNFC;
- (b) the Vice President shall perform the duties of the President in his or her absence;
- (c) the Treasurer shall oversee financial records, reporting of financial information and filing of required reports and returns, and shall, as authorized by the Board, sign formal documents on behalf of MNFC;
- (d) the Secretary shall be responsible for the recording and keeping of adequate minutes of all meetings of the Board and of member-owners, issuing notices required under these by-laws, authenticating records of MNFC, and shall, as authorized by the Board, sign or attest to formal documents on behalf of MNFC.

Article VII - Member-ownership Shares

7.1 Issuance and terms. To evidence capital funds provided by member-owners, MNFC shall issue its common stock, called member-ownership shares, with a par value of twenty dollars per share. Member-ownership shares may be issued only to persons eligible for and admitted to member-ownership in MNFC. No share shall be issued until it has been fully paid for in an amount that equals or exceeds its par value. MNFC may issue one share each year for each staff person as an employee benefit provided in recognition of services rendered. The purchase price of member-ownership shares shall initially be twenty dollars per share. The purchase price may be increased by member-owners at a meeting called in part for that purpose. The purchase price may also be increased by the Board only to the extent necessary to offset the effects of inflation. Shares shall be entitled to no dividend or other monetary return on investment.

7.2 Certificates. Upon full payment for all required member-ownership shares, a member-owner shall be entitled to receive a certificate evidencing such holding. All certificates shall be signed personally or by facsimile. Each certificate shall contain a prominent notation that it is not transferable except pursuant to these bylaws and that voting rights pertain only to member-ownership in MNFC on the basis of one vote per member-owner. MNFC may issue a replacement certificate for any certificate alleged to have been lost, stolen or destroyed without requiring the giving of a bond or other security against related losses.

7.3 Redemption. Upon request following termination of member-ownership, member-ownership shares shall be redeemed within ninety days after an equivalent amount of funds has been provided by a new or existing member-owner. Shares shall be redeemable at their carrying value on the books of MNFC or their net book value, if lesser. The Board may impose a reasonable processing fee. Reapplication for member-ownership shall be subject to repayment of redemption proceeds or a waiting period or both as determined the Board. Member-ownership shares shall at all time be subject to being offset by amounts otherwise due and payable to MNFC.

Article VIII - Fiscal Affairs

8.1 Fiscal year. The fiscal year of MNFC shall begin on the first day of April in each year and end on the last day of March in the succeeding year unless otherwise determined by the Board.

8.2 Fiscal policies. MNFC shall be operated according to sound business practices insofar as they are consistent with its purpose and objectives. In lieu of distributing patronage dividends, MNFC shall

accumulate its net savings as capital reserve for the provision and extension of services to member-owners.

- 8.3 Fiscal statements. MNFC shall prepare financial statements for each fiscal year which fairly present its financial position, results of operations, changes in financial position and related disclosures in conformity with generally accepted accounting principles applied on a consistent basis. The Board of Directors shall, whenever practicable, arrange for such financial statement to be reviewed or audited by an independent public accountant.
- 8.4 Access to information. Member-owners shall be provided reasonably adequate and timely information as to the operational and financial affairs of MNFC. A member-owner shall, upon request, be provided any other information concerning the operational and financial affairs of MNFC that is necessitated by, and directly related to, a proper purpose, subject to such reasonable restrictions or conditions as is determined by the Board to be necessary to protect confidential or sensitive information. Any proper request necessitating information from the Co-op's records of member-owners shall be accommodated by means other than direct access to such records.

Article IX - Notice

- 9.1 Notice. Any notice required under these by-laws shall be deemed delivered when deposited in the United States mail with names and addresses as they appear in the records of MNFC.
- 9.2 Waiver of notice. Any notice of a meeting required under these by-laws may be waived in writing at any time before or after the meeting for which notice is required. The attendance of any person at a meeting shall constitute a waiver of notice of the meeting except where the person attends for the express purpose of objecting to the transaction of business because the meeting is not lawfully convened.

Article X – Dissolution

- 10.1 Dissolution. Upon dissolution of MNFC, its assets shall be distributed in the following manner and order:
- (a) All liabilities and expenses of liquidation shall be paid.
 - (b) If assets remain, all member-ownership shares shall be redeemed in accordance with the terms of these by-laws. If such shares cannot be paid in full, they shall be redeemed on a pro rata basis among all outstanding amounts.
 - (c) If assets remain, they shall be distributed equally among current member-owners of MNFC or otherwise as determined by member-owners at a meeting called in part for that purpose.

Article XI - Severability

- 11.1 Severability. In the event that any provision of these by-laws is determined to be invalid or unenforceable under any statute or rule of law, then such provision shall be deemed inoperative to such extent and shall be deemed modified to conform with such statute or rule by law without affecting the validity or enforceability of any other provision of these by-laws.

Article XII - Amendment of by-laws

- 12.1 Amendment. These by-laws may be amended or repealed by a two-thirds vote of member-owners present and voting at a meeting provided that the proposed amendment is described in the notice of the meeting at which the amendment is to be adopted.