



# BYLAWS

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## **ARTICLE I. ORGANIZATION**

Section 1.1 - Name. The name of this organization is Brattleboro Food Cooperative, Inc. (referred to in these bylaws as “the Co-op”).

Section 1.2 Purpose. The Brattleboro Food Co-op shall be owned by its members and shall operate with a focus on food and related products in accord with the International Cooperative Alliance Statement on Cooperative Identity for the mutual benefit of its members (See 2015 ICA Guidance Notes).

## **ARTICLE 2. SHAREHOLDER STATUS**

Section 2.1 - Eligibility. Shareholder status in the Co-op shall be voluntary and open to any person or organization that is in accord with its purpose and mission, will use its services and is willing to accept the responsibilities of shareholder status.

Section 2.2 - Admission. Applicants shall be admitted to shareholder status upon paying or subscribing for a share of common stock at its then stated value. In the event of questionable eligibility, admission shall be subject to approval by the Board of Directors. On or before admission to shareholder status each applicant shall be provided a copy of these bylaws, including the appended explanation of the patronage dividend consent provision, such copy indicating its date of approval or adoption. An organization applying for membership must maintain a single individual as an authorized representative.

Section 2.3 - Rights. Shareholders shall have the right to patronize the Co-op at prices generally available to shareholders and otherwise to benefit from participation in the activities of the Co-op. Shareholders may participate in a shareholder engagement program for discounts on purchases at a rate determined by the Board of Directors, subject to ratification at the next scheduled shareholder meeting. Shareholders shall have the right to receive a copy of these bylaws. References in these bylaws to the rights of shareholders shall be understood as referring only to shareholders in good standing.

Section 2.4 - Responsibilities. To maintain shareholder status in good standing, shareholders shall keep reasonably current in share payments, including payments required by reason of an increase in the stated value of shares. Shareholders shall abide by these bylaws, by decisions made at shareholder and Board meetings and by the means established in these bylaws to amend such decisions. Shareholders are expected to apprise the Co-op of any changes of name or address.

Section 2.5 - Access to Information. Reasonably adequate and timely information as to the organizational and financial affairs of the Co-op shall be provided or made available to all shareholders. Shareholders shall be provided access to the books and records of the Co-op for a proper purpose and at a reasonable time, subject to the approval of the Board of Directors in case of doubtful propriety.

Section 2.6 - Mediation. In any dispute between the Co-op and any of its shareholders or former shareholders that cannot be resolved through informal negotiations, it shall be the policy of the Co-op 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. No party with a grievance against the other shall have recourse to litigation until the matter is submitted to mediation and attempted to be resolved in good faith.

Section 2.7 - Termination. Shareholder status may be terminated voluntarily by a shareholder upon notice to the Co-op. Shareholder status may be terminated involuntarily for cause by the Board of Directors after a fair hearing at which the shareholder is given the opportunity to speak and present evidence. Upon termination of shareholder status all rights and interests in the Co-op shall cease except for rights to redemption of capital pursuant to Article 3 of these bylaws.

### **ARTICLE 3. CAPITAL STOCK**

Section 3.1 - Issuance. To evidence capital funds provided by shareholders, the Co-op shall issue its common stock. Shares may be issued only to persons eligible for and admitted to shareholder status in the Co-op, and no shareholder shall hold more than one share. The stated value of shares shall be determined from time to time by the Board of Directors, subject to ratification at the next scheduled shareholder meeting.

Section 3.2 - Redemption. Upon request following termination of shareholder status, common shares shall be redeemed when replacement capital is provided by other new shareholders. Shares shall be redeemable at the lesser of their carrying value on the books of the Co-op or their net book value, less a reasonable processing fee, if any, as determined by the Board. To the extent of amounts otherwise due and payable to the Co-op, shares shall also be redeemable upon filing of a bankruptcy petition by or against a shareholder. No redemption shall be made when such payment would impair the ability of the Co-op to meet its other obligations as they become due or would impair the claims of instruments having a higher priority than common shares. Reapplications for shareholder status after full or partial redemption shall be subject to repayment of redemption proceeds or a waiting period or both as determined by the Board of Directors.

Section 3.3 - Lien and Offset. The Co-op shall have a first lien on shares to the extent of amounts due and payable to the Co-op by the shareholder. Shares shall at all times be subject to being offset by amounts due and payable by the shareholder to the Co-op.

### **ARTICLE 4. SHAREHOLDER MEETINGS**

Section 4.1 - Annual Meeting. The annual shareholder meeting shall be held in the fall of each year at a time and place determined by the Board of Directors and announced no less than nine weeks before the date of the meeting. The purpose of the annual meeting shall be to hear reports on operations and finances, to review any important policy issues or other matters that vitally affect the Co-op, to elect directors and to conduct such other business as may properly come before the meeting.

Section 4.1a - Election Guidelines. Notice of the vote shall be placed in a conspicuous place and communicated to shareholders not less than 4 weeks prior to the end of the voting period. Voting will commence at the adjournment of the Annual Meeting and be open for 14 days. Board members shall be elected by eligible shareholders. Eligible shareholders are those members whose payments are up to date at the time ballots are counted. Proxy votes are not allowed.

Section 4.2 - Special Meetings. A special shareholder meeting may be called by the Board or by the President, and shall be called upon request of any three directors. Subject to the preliminary review process described in Section 4.3 below, a special shareholder meeting shall also be called as soon as practicable after receipt of written petitions signed

by ten percent of all shareholders and submitted to the Co-op's business office, such petitions stating any proper issue to be brought before the meeting.

Section 4.2a - Issues Submitted by Shareholders. Subject to the preliminary review process described in Section 4.3 below, the notices and agenda of a shareholder meeting shall include any proper issue submitted by written petitions signed by five percent of all shareholders. Petitions must be received by the Co-op not less than twelve weeks before the date of the meeting at which they are to be presented to a vote of shareholders.

Section 4.3 - Preliminary Review Process. A petition of shareholders to call a special shareholder meeting or to add an issue to a scheduled shareholder meeting shall first be submitted to the Co-op's business office with the signatures of ten shareholders for preliminary review and advice by the Board. A submission for preliminary review shall include the proposed language of the petition and a written description of the perceived effects and benefits of the subject of the petition. The Board shall complete the preliminary review process within a period of time that is reasonable under the circumstances but not later than 120 days after submission. Unless the Board states otherwise, a copy of its letter of advice with respect to the petition shall be made available to each shareholder who is solicited to sign the petition, and the petition shall state that the undersigned shareholders have been shown a copy of the Board's letter of advice.

Section 4.4 - Notice. Notice of the time and place of any shareholder meeting, together with the proposed agenda of the meeting, shall be delivered to all shareholders not less than two weeks nor more than four weeks prior to the date of the meeting. Notice shall also be posted conspicuously at the Co-op. Decisions on issues not included in the notice of a meeting shall be of an advisory nature only.

Section 4.5 - Quorum. The presence in person at the opening of the meeting or the presence by absentee ballot of at least two percent of all shareholders shall be necessary and sufficient to constitute a quorum for the transaction of business at any shareholder meeting.

Section 4.6 - Meeting Procedures. A shareholder meeting may include a meeting conducted in whole or in part by absentee ballots. The agenda of all meetings of shareholders shall be determined by the Board of Directors except as otherwise provided in these bylaws. The conduct of shareholder meetings shall be guided generally by Robert's Rules of Order.

Section 4.7 – Decision-Making. Shareholders may, as determined by the Board of Directors, vote in person or by absentee ballot or by either of such methods. In voting for directors, each shareholder may cast as many votes as there are positions to be filled, but no more than one vote may be cast for any one candidate. Otherwise each shareholder shall have one vote in all matters submitted to a vote of shareholders. Organizational shareholders may be represented by any authorized person. Proxy voting shall not be permitted. All issues shall be decided by a majority of shareholders voting except where otherwise required by law or by these bylaws.

## **ARTICLE 5. BOARD OF DIRECTORS**

Section 5.1 - Powers and Duties. Except as to matters reserved to shareholders by law or by these bylaws, the business and affairs of the Co-op shall be directed and controlled in the interests of shareholders by a Board of Directors (sometimes referred to in these bylaws as "the Board"). The powers and duties of the Board shall include, but not be limited to, engaging a general manager and monitoring and evaluating the general manager's performance in the execution of the operations of the Co-op, establishing budgets and fiscal controls, securing good conditions of employment and assuring that the purpose, mission and principles of the Co-op are properly

carried out.

Section 5.1a - Fiduciary responsibility. Every board member's fiduciary responsibility is to all shareholders.

Section 5.2 - Classification. The Board shall consist of 9 directors. A minimum of one and no more than two directors shall be staff shareholders; the remaining shall be patron shareholders. Vacancies shall be filled by appointment by the Board or at the upcoming regular election.

Section 5.3 - Eligibility. To be eligible as a director, a person shall be a shareholder of the Co-op, at least eighteen years of age, and shall not be associated with interests adverse to the Co-op. No person employed by the Co-op shall be eligible to serve as a patron director. Staff shareholders who report directly to the GM are not eligible to serve as directors.

Section 5.4 – Board Candidacy. A candidate for director must be a current shareholder in good standing and is required to read the candidate packet and fill out the requisite candidate form no later than two weeks prior to the Annual Meeting.

Section 5.5 - Election and Term Limits. All directors shall be elected by plurality vote at the annual shareholder meeting or by a specified date, not to exceed two weeks following the annual meeting. Directors shall serve for terms of three years or until election of their successors. The terms of directors shall be staggered so that approximately one-third of the terms of both patron and staff directors shall expire in each year. Directors may serve no more than three consecutive full terms or up to nine consecutive years.

Section 5.6 - Compensation. Directors shall be compensated by being accorded working shareholder status. While serving, Patron Directors shall receive a 20% discount on purchases, and Staff Directors shall be compensated with a monthly stipend in the form of a \$50 Co-op Gift Card. Directors may receive such other remuneration as is determined at a shareholder meeting.

Section 5.7 - Standards of Conduct. Directors shall be responsible at all times for discharging their duties in good faith, in a manner that they reasonably believe to be in the best interests of the Co-op and with the care that an ordinarily prudent person in a like position would use under similar circumstances.

Section 5.8 - Contracts for Profit. Except for fair compensation for services actually rendered, a director shall not during their term of office be a party to a contract for profit with the Co-op differing in any way from the business relations accorded shareholders generally or upon terms differing from those generally current among shareholders.

Section 5.9 - Conflicts of Interest. Directors shall be under an affirmative obligation to disclose their actual or potential conflicts of interest in any matter under consideration by the Board of Directors. Directors having such an interest shall absent themselves from discussion and decision of the matter unless otherwise determined by the Board.

Section 5.10 - Termination. The term of office of a director may be terminated prior to its expiration in any of the following ways:

(a) voluntarily by a director upon notice to the Co-op;

(b) automatically upon termination of shareholder status in the Co-op;

(c) involuntarily, with or without cause, by action of a shareholder meeting;

(d) involuntarily for cause by a two-thirds vote of the Board after a fair hearing at which the director is given the opportunity to speak and present evidence, provided that such person is accorded a right of appeal at a shareholder meeting.

Section 5.11 - Vacancies. Any vacancy among directors occurring between annual shareholder meetings may be filled by the Board for the balance of the unexpired term.

## **ARTICLE 6. MEETINGS OF THE BOARD**

Section 6.1 - Convening. The Board of Directors shall meet on a regular basis. Meetings of the Board may be called by the Board or by the President and shall be called by the Secretary within seven days of a request by any two directors.

Section 6.2 - Open Meetings. Meetings of the Board shall be open to shareholders unless closed by the Board as to a particular issue of a sensitive nature. Such closed session shall be for purposes of discussion only and no votes shall be taken at such session.

Section 6.3 - Notice. Meetings called by resolution of the Board shall require no notice to directors other than such resolution. For all other meetings of the Board actual notice, either written or oral, of the time and place of the meeting shall be provided to all directors. Written notice shall be delivered not less than five days before and oral notice given not less than two days before the date of the meeting. Notice of each meeting shall also be posted conspicuously at the Co-op as soon as practical after the date of the meeting is set.

Section 6.4 - Quorum and Decision-Making. A majority of the current Directors shall constitute a quorum and no decisions shall be made without a quorum in agreement. Votes may be taken by phone, email or other platforms, including virtual meetings and must be recorded in Board meeting minutes.

Section 6.5 - Telephone Conferences. Meetings of the Board may be conducted by means of a telephone conference or other communications equipment whereby all persons participating can hear each other at the same time.

Section 6.6 - Action by Consent. Any action required or permitted to be taken at a meeting of the Board or of any committee may be taken without a meeting if a written consent to the action is given by a majority of all directors or committee members and filed with the minutes of meetings.

Section 6.7 - Reconsideration of a Board Decision. Any action taken by the Board or by a committee exercising any authority of the Board shall be reconsidered by the Board upon receipt of written petitions signed by three percent of all shareholders and submitted to the Co-op's business office. The petition shall be acted upon within a period of time that is reasonable under the circumstances. If the action at issue is not reversed as a result of the reconsideration, the Board shall issue a written statement of its reasons for denying the petition.

## **ARTICLE 7. COMMITTEES**

Section 7.1 - Executive Committee. The Board may designate an Executive Committee composed only of directors. Such committee may act on any urgent business when it is impractical to assemble the whole Board except that it may not enter into any contractual relationships with parties outside the Co-op. Actions of the Executive Committee shall be reported to, and subject to the approval of, the Board at its next following meeting. Action by the Executive Committee shall require notice to all of 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 in the oversight of the Co-op.

Section 7.2 - Other Committees. The Board may designate other committees, consisting only of shareholders of the Co-op, to perform other designated functions.

## **ARTICLE 8. OFFICERS**

Section 8.1 - Designation. The officers of the Co-op shall consist of President, Vice President, Treasurer, Secretary and such other officers or assistant officers as is determined by the Board. The offices of Treasurer and Secretary may be held by the same person. Of the offices, staff directors may hold only the office of Secretary. All officers shall be directors.

Section 8.2 - Election and Term. Officers shall be elected annually by the Board at its first meeting following the annual shareholder meeting. Officers shall serve for terms of one year or until election of their successors. Officers may be removed at any time, with or without cause, by the Board.

Section 8.3 - Duties. Officers shall have the following duties and such additional duties as is determined by the Board:

(a) the President shall preside at all Board and shareholder meetings, shall present a report to the annual shareholder meeting on the organizational affairs of the Co-op and shall, as authorized by the Board, sign formal documents on behalf of the Co-op;

(b) the Vice President shall perform the duties of President in their absence and shall, as requested, assist the President in the performance of his or her duties;

(c) the Treasurer shall monitor the financial affairs of the Co-op and the filing of all required reports and returns, shall present a report to the annual shareholder meeting on the financial affairs of the Co-op and shall, as authorized by the Board, sign formal documents on behalf of the Co-op; and

(d) the Secretary shall oversee the issuance of required notices and the keeping of minutes of all Board and shareholder meetings and shall, as authorized by the Board, sign or attest to formal documents on behalf of the Co-op.

## **ARTICLE 9. FISCAL MATTERS**

Section 9.1 - Operating Year. The operating year of the Co-op shall be July to June.



Section 9.2 - Fiscal Policies. The Co-op shall be operated according to sound business practices insofar as they are consistent with cooperative principles and with the purpose and mission of the Co-op.

Section 9.3 - Accountability. Thorough financial statements of the Co-op for each operating year shall be prepared and made available to the Board of Directors and to shareholders. The Board shall arrange for an audit or review of the financial statements of the Co-op by an independent public accountant selected by the Board at least every five years. This review or audit shall include a financial management review and report to the Board concerning management performance, adherence to governing policy, adequacy of operating controls and procedures, and other matters as is determined by the Board.

Section 9.4 - Bonding. The general manager shall be covered by a bond of indemnity for faithful performance of duties in such amounts and on such terms as may be determined by the Board. The Board may require such bonds of any other employees or officers who handle funds or property of the Co-op. Premiums on all such bonds shall be paid by the Co-op.

## **ARTICLE 9A. PATRONAGE DIVIDENDS**

Section 9A.1 - Distribution Obligation. The realized net earnings of the Co-op attributable to the patronage of shareholders shall be allocated and distributed among shareholders in proportion to their purchases from the Co-op and in such a manner and at such a time as to constitute patronage dividends within the meaning of federal income tax law. Operations of the Co-op which encompass more than one allocation unit shall be netted so that a single amount of distributable net earnings is allocated to all shareholders of the Co-op.

Section 9A.2 - Reductions. Any distributable net earnings of such a nominal amount as not to justify the expenses of distribution may, as determined by the Board, be excluded from distribution. Net earnings may be reduced by such reasonable reserves for necessary business purposes as is determined by the Board.

Section 9A.3 - Consent of Shareholders. By obtaining or retaining shareholder status in the Co-op, each shareholder consents to take into account, in the manner and to the extent required by federal and state tax law, any patronage dividend received from the Co-op. Shareholders have the choice of redeeming their patronage dividend as credit or cash at the register, or their patronage dividend will be donated if unclaimed after 90 days to a charity chosen by the Co-op.

Section 9A.4 - Deferred Amounts. Payment of a portion of patronage dividends, not to exceed eighty percent of the allocation, may be deferred as determined by the Board. Such amounts shall be credited to revolving capital accounts in the names of recipient shareholders and shall accrue no dividend or other monetary return on contributed capital. They may be redeemed when determined by the Board to be no longer needed for business purposes. At that time they shall be redeemed in the order of the oldest outstanding amounts and on a pro rata basis among such amounts, except that redemptions shall be payable only to shareholders who are then in good standing or become so within a six-month period of time. Deferred amounts may also be redeemed under compelling circumstances as determined by the Board. They shall be subject at all times to being offset by amounts otherwise due and payable to the Co-op.

Section 9A.5 - Net Losses. In the event the Co-op shall incur a net operating loss in any fiscal year, the portion of such loss attributable to the patronage of shareholders shall be carried forward to offset income of the same character in subsequent years, and any remaining loss shall be carried back and forward to offset income of the same character in prior and subsequent years as required or permitted under federal income tax law. The foregoing shall

not limit the full carryback of net operating losses to years in which the Co-op was not under a legal obligation to distribute patronage dividends.

## **ARTICLE 10. INDEMNIFICATION**

Section 10.1 - Rights. Subject to the limitations in this Article, the Co-op shall indemnify its current and former directors and officers against all losses and expenses, including reasonable attorney's fees, to which they may become subject by reason of their positions with the Co-op or their service in its behalf. Such indemnification shall apply whenever such person is a party or is threatened to be made a party to any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative. Such indemnification shall include direct payment or settlement of liabilities and potential liabilities. Payment of expenses incurred in defending a suit or proceeding in advance of its final disposition may be made only upon receipt by the Co-op of a contractual undertaking by or on behalf of such person to repay such amounts unless the person shall be determined to be entitled to indemnification under this Article.

Section 10.2 - Limitations. No indemnification shall be provided unless the person is determined to have acted in good faith and in the reasonable belief that their action was in the best interests of the Co-op, or, in regard to criminal actions, that such person had no reasonable cause to believe that their action was unlawful. If such determination is not made in a legal proceeding related to the claim, it may be made by a quorum of disinterested directors or by independent legal counsel selected by such quorum. If not made or able to be made by either, the determination shall be made by independent legal counsel selected at a shareholder meeting. In any action by or in the right of the Co-op or in which such person is charge with receiving an improper personal benefit, indemnification shall be provided only as to reasonable expenses and only if the person is not adjudged liable to the Co-op on such basis.

Section 10.3 - Payments and Insurance. Indemnification payments and advances of expenses shall be made 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 shareholders with or before the notice of the next shareholder meeting. The Co-op may purchase and maintain insurance on behalf of its directors and officers against any liabilities and expenses related to their position with, or service on behalf of, the Co-op irrespective of whether the Co-op could have indemnified them under this Article against such liabilities and expenses.

## **ARTICLE 11. NOTICE**

Section 11.1 - Notice. Any notice required under these bylaws shall be deemed delivered when deposited in the United States mail with names and addresses as they appear in the records of the Co-op.

Section 11.2 - Waiver of Notice. Any notice of a meeting required under these bylaws 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 11A. LIQUIDATION**

Section 11A.1 - Liquidation. Upon liquidation and dissolution of the Co-op, its assets shall be distributed in the following manner and order: (i) by paying or making provision for payment of all liabilities and expenses of liquidation; (ii) by redeeming any deferred patronage dividends which, if they cannot be paid in full, shall be paid in the order of the oldest outstanding amounts and on a pro rata basis among all such amounts for each fiscal year; (iii) by redeeming common shares at their carrying value on the books of the Co-op which, if they cannot be paid in full, shall be paid on a pro rata basis among all outstanding amounts; and (iv) by distributing any remaining assets among current and former shareholders in proportion to their patronage during the five years immediately preceding the date of dissolution, or, if so determined at a meeting of shareholders, to one or more cooperative or nonprofit that may best further the purposes and mission of the Co-op.

## **ARTICLE 12. BYLAWS**

Section 12.1 - Severability. In the event that any provision of these bylaws 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 of law without affecting the validity or enforceability of any other provision of these bylaws.

Section 12.1a - Interpretation. The Board of Directors shall have the power, with or without advice of legal counsel, to interpret these bylaws, apply them to particular circumstances, and adopt policies in furtherance of them, provided that all such actions are reasonable and consistent with these bylaws.

Section 12.2 - Amendment. These bylaws may be amended or repealed by a vote as outlined in Section 4.1a Election Guidelines, or by action of a shareholder meeting, provided that proposed amendments are stated or fully described in the notice of the meeting at which the amendments are to be adopted.

## **APPENDIX**

### **EXPLANATION OF PATRONAGE DIVIDEND CONSENT PROVISION**

The Co-op has been advised by legal counsel that the general rule as to taxability of patronage dividends is subject to an exception that is applicable to consumer cooperatives. Under that exception, a patronage dividend is not required to be included in taxable income if the shareholder's purchases from the Co-op related to "personal, living or family items." Patronage dividend would thus be taxable only if the shareholder is an organization or if, in the case of a shareholder who is an individual, his or her purchases related to the operation of a trade or business or other income-producing activities. When it is so taxable, patronage dividends are includible in the gross incomes of recipient shareholders in the taxable year in which it is received.