



BYLAWS OF MACOMB FOOD COOPERATIVE

Article I

Organization

Section 1.1 - **Name.** The name of the organization is Macomb Food Cooperative (referred to in these bylaws as "the Cooperative").

Section 1.2 - **Mission and core values.** The mission of the Cooperative is to create and operate a associate-owned, community-based cooperative that supports and enhances the local economy through the distribution and sale of regional and sustainably grown foods, fair trade products, and health care items. Its core values are healthy food, transparency of operations, participative community engagement and education, and sustainable and local positive experience for members, customers and employees. The Cooperative shall be operated exclusively on a cooperative and nonprofit basis.

Section 1.3 - **Nondiscrimination.** The Cooperative shall not discriminate on the basis of race, nationality, religion, age, gender, sexual orientation, political affiliation, disability or other arbitrary basis.

Section 1.4 - **Principal office.** The principal office of the Cooperative shall be located in Macomb, Illinois.

Section 1.5 - **Fiscal year.** The fiscal year of the Cooperative shall begin on the first day of July and end on the last day of June.

Article II

Ownership

Section 2.1 - **Admission.** Owner in the Cooperative shall be voluntary and open to any individual whose purpose in seeking membership is to use its services and is willing to accept the responsibilities of ownership. Applicants will be admitted to ownership upon submitting required information and purchasing or subscribing to purchase not less than one share, nor more than five shares. In case of doubtful eligibility, membership shall be subject to approval by the Board at any time within six months after the date of application.

Section 2.2 - **Rights.** Each owner shall be entitled to participate in the governance of the Cooperative as set forth in these bylaws and to receive a copy of these bylaws. Each member of the household of an individual owner shall be entitled to make purchases from the Cooperative on terms generally available to owners. Except as otherwise required under these bylaws, subscribers shall be considered

owners.

Section 2.3 - **Responsibilities.** Each owner shall keep reasonably current in payment of the share purchase requirement described in Section 2.1 above and shall notify the Cooperative of any change to his or her name or address. Owners may be required to purchase additional shares or fractions of shares as approved at a meeting of owners. An owner who becomes delinquent by three months in meeting the share purchase obligation, or who fails to patronize the Cooperative for a one-year period of time, shall be placed into inactive status. The participation rights of such an owner shall then be suspended. An owner in inactive status may attain good standing by recommencing current payment of the share purchase requirement or by reestablishing a patronage relationship with the Cooperative. References herein to the rights and entitlements of owners shall be understood to refer only to owners in good standing.

Section 2.4 - **Access to information.** Owners shall be provided reasonably adequate and timely information as to the organizational, operational and financial affairs of the Cooperative. Upon request that describes with reasonable particularity the information desired and a proper purpose therefor and that evidences good faith, an owner shall be provided requested information that is directly related to the requester's interests as a member, 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 Cooperative's records of owners shall be accommodated by means other than direct access to such records.

Section 2.5 - **Settlement of disputes.** In any dispute between the Cooperative and any of its owners or former owners which cannot be resolved through informal negotiation, it shall be the policy of the Cooperative 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 2.6 - **Nontransferability.** Ownership rights and interests may not be transferred except as provided herein. Following termination of ownership, or at any time as to shares held in excess of the minimum amount, the Cooperative will upon request of the owner transfer the carrying value of such person's share credits, net of any authorized offsets, to the credit of another person designated by the requesting owner, provided that the transfer is gratuitous and that the person so designated is a owner or becomes an owner of the Cooperative. Any attempted transfer contrary to this section shall be wholly void and shall confer no rights on the intended transferee.

Section 2.7 - **Termination.** Ownership may be terminated voluntarily by an

owner at any time upon notice to the Cooperative. Ownership may be terminated involuntarily only for cause by the Board after the owner is provided fair notice of the charges and an opportunity to respond in person or in writing. Upon termination of ownership, all rights and interests in the Cooperative shall cease except for rights to redemption of capital pursuant to Articles VII and VIII of these bylaws.

Article III

Meetings of Owners

Section 3.1 - **Annual meeting.** An annual meeting of owner shall be held within one hundred and twenty days of the close of each fiscal year to hear reports on the operations and finances of the Cooperative, to elect directors, and to conduct such other business as may properly come before the meeting.

Section 3.2 - **Special meetings.** Special meetings of owners may be called by the Board and shall be called by the Secretary as soon as practicable upon receipt of petitions signed by five percent of all owners, such petitions stating any proper business to be brought before the meeting.

Section 3.3 - **Time and place.** The date, time and place of all meetings of owners shall be determined by the Board or, in the event that the Board fails to so act, by the Secretary. Meetings shall be held at a time and place convenient to owners.

Section 3.4 - **Notice.** Written notice of the time, place, and purpose or purposes of any meeting of owners shall be delivered to each owner not less than thirty days nor more than fifty days before the date of the meeting. Any business conducted at a meeting other than that specified in the notice of the meeting shall be of an advisory nature only. Notices of meetings shall also be posted in a timely manner and in a conspicuous place in the Cooperative's store, but the inadvertent failure to do so shall not affect the validity of the meeting.

Section 3.5 - **Record dates.** Unless otherwise determined by the Board, only persons who are owners at the close of business on the day immediately preceding the date of distribution of notices shall be entitled to notice of any meeting of owners and to vote at such meeting.

Section 3.6 - **Quorum.** The presence in person or by proxy at the opening of the meeting of five percent of all owners or thirty owners, whichever is greater, shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of owners.

Section 3.7 - **Voting.** Unless otherwise required by these bylaws, each owner shall have one and only one vote on each matter submitted to a vote of owners irrespective of the number of shares held. Unless otherwise required by law or by these bylaws, issues shall be decided by a simple majority of votes cast except where

one or more choices are to be made from several alternatives, in which case the alternative(s) receiving the most votes shall be considered approved. Any business conducted at a meeting of owners other than that specified in the notice of the meeting shall be of an advisory nature only. Meetings of owners shall be conducted generally in accordance with reasonable and accepted rules of parliamentary procedure. The Board shall institute procedures intended to reasonably assure the integrity of the voting process.

Section 3.8 - Absentee ballots. Owners may vote by absentee ballots on any issue presented to a meeting of owners, provided that members have previously been notified in writing of the exact motion or resolution and a copy of the same is attached to the absentee ballot. The Cooperative shall make available at the store absentee ballots for this purpose not later than twenty-one days before the date of the meeting. Absentee ballots must be received by the Cooperative in person or by mail no later than the day before the date of the meeting. A vote cast by absentee ballot shall be read at, and is subject to acceptance at, the meeting of owners.

Section 3.9 - Proxies. Owners who are unable to attend a meeting may vote by written proxy executed in favor of another owners. A proxy shall be effective only with respect to one particular meeting of owners, and no owner may hold more than one such proxy at any one time.

Section 3.10 - Issues submitted by owners. Notices of a meeting of owners shall include any proper issues submitted by petition of three percent of all owners. Petitions must be received by the Cooperative not less than sixty-five days before the date of the meeting at which they are to be presented to a vote of owners.

Section 3.11 - Communication by electronic means. Unless otherwise required by these bylaws, any notice, consent, ballot, petition, or other document required or permitted by these bylaws may be delivered by electronic means, provided that, in the case where such communication expressly or impliedly requires the signature of the person submitting the communication, means are in place to reasonably assure the authenticity of the signature.

Article IV

Board of Directors

Section 4.1 - Powers and duties. Except as to matters reserved to owners by law or by these bylaws, the business and affairs of the Cooperative shall be managed under the direction and supervision of the Board of Directors (sometimes referred to in these bylaws as "the Board"). Such powers shall reside exclusively in the Board as a deliberative body; they may reside in individual directors only to the extent explicitly so delegated by the Board. The duties of the Board shall include, but not be limited to, overseeing the operations and finances of the Cooperative, establishing policies to guide operational decisions, engaging a general manager and monitoring and

evaluating his or her performance, securing good conditions of employment and reasonable employee benefits, and assuring that the purpose and mission of the Cooperative are properly carried out.

Section 4.2 - Number and qualifications. The Board shall consist of not less than seven nor more than nine individuals. To be qualified as a director, a person shall have been a owner for at least six months prior to the commencement of the election of directors, shall not be employed by the Cooperative, and shall not have any overriding conflict of interest with the Cooperative.

Section 4.3 - Nominations, election and terms. Directors may be nominated by the Board, by a nominating committee, or by petitions signed by at least ten owners and submitted to the Cooperative at least sixty days before the date of the annual meeting. Directors shall be elected by owners at the annual meeting for three-year terms so staggered that approximately one-third of directors shall be elected each year. Directors may be elected for one- or two-year terms as may be necessary to facilitate such staggering of terms. Directors shall hold office until their successors are elected or until their offices are terminated sooner in accordance with these bylaws. No director shall serve more than three consecutive full three-year terms.

Section 4.4 - 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 Cooperative and with the care that an ordinarily prudent person in a like position would use under similar circumstances.

Section 4.5 - Conflicts of interest. Directors are obliged 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 absent themselves from discussion and decision of the matter. A transaction in which a director has an interest shall be prohibited unless the transaction is fair to the Cooperative and is approved by no less than a two-thirds majority of all disinterested directors.

Section 4.6 - Indemnification. The Cooperative shall indemnify and reimburse its directors and officers as required by, and may indemnify them as permitted by, the General Not For Profit Corporation Act of 1986, 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 Cooperative to pay its other obligations as they become due.

Section 4.7 - Committees. The Board may appoint special or standing committees to advise the Board or to exercise such authority as the Board shall designate. Such committees shall include at least one director. The appointment of

any committee shall not relieve the Board of its responsibilities in the oversight of the Cooperative.

Section 4.8 - **Termination**. The term of office of a director may be terminated prior to its expiration in any of the following ways: (i) voluntarily by a director upon notice to the Secretary; (ii) automatically upon termination of ownership in the Cooperative; and (iii) for cause at a meeting of the Board or of owners called in whole or part for such purpose, provided the director is accorded fair notice of the charges and an opportunity to respond in person or in writing. A director who is absent from three consecutive Board meetings or four meetings in any one-year period, unless excused by the Board for good cause, shall be presumed to have resigned.

Section 4.9 - **Vacancies**. Any vacancy among directors occurring between annual meetings may be filled by the Board for the remainder of the unexpired term.

Article V

Meetings of the Board

Section 5.1 - **Meetings**. The Board of Directors may determine the times and places of its meetings. Special meetings may be called by the Chair and shall be called by the Secretary upon request of any three directors. The Board of Directors will conduct meetings at least once per quarter.

Section 5.2 - **Notice**. Meetings called by resolution of the Board shall require no notice, it being the responsibility of absent directors to inquire as to the time of further scheduled meetings. Special meetings shall require written or oral notice to all directors. Written notice shall be delivered at least five days before the date of the meeting and oral notices shall be given in person or by a telecommunications device at least forty-eight hours before the time of the meeting. Notices of meetings of the Board shall also be posted in a timely manner and in a conspicuous place in the Cooperative's store, but the inadvertent failure to do so shall not affect the validity of the meeting.

Section 5.3 - **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. A person who attends a meeting other than for the sole purpose of objecting to the adequacy of the notice shall be deemed to have waived any objection to the notice.

Section 5.4 - **Quorum**. The presence in person of a majority of directors shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board.

Section 5.5 - **Decision making**. Decisions at meetings of the Board shall be made by consensus, whereby decision making is guided by the mission, values, and

best interests of the Cooperative and all expressed concerns are resolved or those having unresolved concerns agree to stand aside. If, in the opinion of a two-thirds majority of directors present, diligent efforts have failed to produce a consensus and the issue requires immediate action, then such issue may be decided by a two-thirds majority vote.

Section 5.6 - **Action without a meeting.** Any action required or permitted to be taken at a meeting of the Board may be taken without a meeting only if a written consent to the action is signed by all directors and filed with the minutes of meetings.

Section 5.7 - **Open meetings.** Meetings of the Board and all committees shall be open to owners. Sessions of a meeting may be closed only as to confidential matters or matters of a particularly sensitive nature.

Article VI

Officers

Section 6.1 - **Designation and qualifications.** The principal officers of the Cooperative shall consist of Chair, Vice Chair, Secretary, Treasurer, and General Manager. The Board may designate other officers or assistant officers. The Chair and Vice Chair shall be directors, and the General Manager shall not be a director.

Section 6.2 - **Election, terms and removal.** Officers shall be elected by the Board at its first meeting following the annual meeting of members. Officers shall serve for terms of one year or until election of their successors. Officers may be removed and replaced by the Board at any time whenever the best interests of the Cooperative would thereby be served.

Section 6.3 - **Duties.** Officers shall have the following duties and such additional duties as are determined by the Board:

(a) The Chair shall be responsible for assuring the orderly conduct of all meetings, coordinating the activities of the Board, and maintaining effective communication with the general manager, and shall present a report of operations at the annual meeting of members.

(b) The Vice Chair shall be responsible for performing the duties of the Chair in his or her absence or disability and, as requested, assisting the Chair in the performance of his or her duties.

(c) The Secretary shall be responsible for the recording and keeping of adequate minutes of all meetings of the Board and of members, issuing notices required under these bylaws, and authenticating records of the Cooperative.

(d) The Treasurer shall monitor the maintenance of financial records, the compilation of financial reports, and the filing of all required reports and returns, and shall present a financial report at the annual meeting of members.

Unless the Board determines otherwise, the Chair shall have authority to execute on

behalf of the Cooperative, and the Secretary to attest to, documents evidencing transactions authorized by the Board.

(e) The General Manager shall oversee day-to-day operations of the Cooperative under the supervision of the Board.

Article VII

Shares

Section 7.1 - **Issuance and terms.** To evidence capital funds provided by owners, the Cooperative shall issue shares. Shares may be issued only to persons eligible for and admitted to ownership in the Cooperative or who are members of an owner household. Shares shall be considered issued only upon full payment of their par value in money or, as may be determined by the Board, in property or services and shall not be evidenced by certificates. No shares shall be issued except at their par value of one hundred dollars per share, nor in amounts to exceed five hundred dollars to any one shareholder. Shares shall be entitled to no dividend or other monetary return on contributed capital.

Section 7.2 - **Forfeiture.** All subscriptions for purchase of shares shall be paid in full within one year of the date of subscription. If an owner fails to make full payment within the one-year period and fails to correct the delinquency within thirty days of the date of mailing of a notice of delinquency, all share purchase payments of such owner shall be irrevocably forfeited to the Cooperative.

Section 7.3 - **Redemption.** Fractional shares shall be redeemable only upon liquidation of the Cooperative. Full shares shall be redeemable upon request following termination of ownership, or any time with respect to shares held in excess of the minimum, but only when replacement capital is provided by other owners. Shares shall be redeemable at the lesser of their carrying value on the books of the Cooperative or their net book value, less a reasonable processing fee, if any, as determined by the Board. Redemption proceeds shall be subject to offset by amounts due and payable to the Cooperative by the owner. No redemption shall be made when such payment would impair the ability of the Cooperative to meet its other obligations as they become due. Reapplications for ownership after full or partial redemption shall be subject to full repayment of redemption proceeds.

Article VIII

Patronage Dividends

Section 8.1 - **Distribution obligation.** The realized net earnings of the Cooperative, to the extent attributable to the patronage of owners, shall be allocated and distributed among owners as patronage dividends in proportion to their patronage and in conformity with federal income tax law. In determining and allocating net earnings the Cooperative shall use a single allocation unit except to the extent that, subsequent to the adoption of these bylaws, it shall engage in any new and distinct line

of business.

Section 8.2 - **Exceptions.** Net earnings may be reduced by such reasonable reserves for necessary business purposes as is determined by the Board. Any allocations of such a nominal amount as not to justify the expenses of distribution may, as determined by the Board, be excluded from distribution provided that they are not then or later distributed to other owners. Owners shall retain the right to waive in whole or in part, by action at a meeting of owners, any patronage dividends to which they may be entitled.

Section 8.3 - **Consent of owners.** By obtaining or retaining ownership in the Cooperative, each owner shall thereby consent to take into account, in the manner and to the extent required by Section 1385 of the Internal Revenue Code, the stated dollar amount of any qualified written notice of allocation in the taxable year in which such notice is received.

Section 8.4 - **Deferred amounts.** A portion of patronage dividends not to exceed eighty percent of the allocation may be deferred for the reasonable capital needs of the Cooperative as determined by the Board. Such amounts shall be credited to revolving capital accounts in the names of recipient owners, shall accrue no monetary return on capital, and shall be nontransferable. They shall be redeemed when determined by the Board to be no longer needed for capital 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 may be made payable only to owners who are then in good standing or become so within a stated period of time. Retained 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 Cooperative.

Section 8.5 - **Allocation of net loss.** In the event the Cooperative shall incur a net loss in any fiscal year, the patronage-sourced portion of such loss shall be carried forward to offset patronage-sourced income in subsequent years, and any remaining loss shall be carried back and forward to offset nonpatronage-sourced income in prior and subsequent years in accordance with federal income tax law.

Article IX

Interpretation and Amendment of Bylaws

Section 9.1 - **Interpretation.** The Board of Directors shall have the power 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 9.2 - **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 9.3 - **Amendment.** These bylaws may be amended or repealed only at a meeting of owners, provided that the 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 Internal Revenue Code generally requires each person receiving a patronage dividend to include the amount of such distribution in his or her gross income in the taxable year in which it is received. Under bylaw section 8.3, mere acceptance or retention of ownership in the Cooperative constitutes consent to such inclusion in taxable income, including the portion of the patronage dividends that is retained by the Cooperative for its capital needs.

The Cooperative has been advised by legal counsel, however, that the general rule for inclusion in income 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 gross income if the owner's purchases from the Cooperative related to "personal, living or family items." The patronage dividend would be taxable to an owner only if his or her purchases related to the operation of a trade or business or other income-producing activities.

In effect, the consent provision is of no significance to owners of the Cooperative, except as to organizational owners and except as to household members who make purchases for business or income-producing purposes.