

**PROPOSED BYLAWS OF
MORRISVILLE FOOD COOPERATIVE, INC.**

(For Board consideration followed by vote at the Annual Meeting on October 16, 2018)

Article I: Organization

1.1 Name. The name of the organization shall be the Morrisville Food Cooperative, Inc. (the Cooperative).

1.2 Purpose. In keeping with the purposes set forth in our Articles of Incorporation and Vermont Statutes, Title 11, Chapter 7, the Cooperative is established to operate a business that:

- (a) provides food and other useful goods and services;
- (b) provides educational materials and services concerning food, nutrition, wellness and agricultural practices;
- (c) supports sustainability and fairness in the production and distribution of food; and
- (d) serves as a center for related activities and services which enrich the life of the Community.

1.3 Ownership. The Cooperative shall be owned by its members and shall operate exclusively on a cooperative basis for the primary and mutual benefit of its members as patrons of its goods and services.

1.4 Cooperative Principles. The Cooperative shall be operated in accordance with the cooperative principles adopted at the International Co-operative Alliance, which includes the following:

- (a) Open and Voluntary Membership
- (b) Democratic Member Control
- (c) Members' Economic Participation
- (d) Autonomy and Independence
- (e) Education, Training and Information
- (f) Cooperation Among Cooperatives
- (g) Concern for Community

1.5 Governance. The Board of Directors (henceforth "the Board"), which shall be selected by and accountable to the members, shall be solely responsible for the business operations of the Cooperative. The assembly of members shall retain all powers required by law or as otherwise set forth in these bylaws.

Article II: Membership

2.1 Eligibility. Membership in the Cooperative shall be voluntary and open to any natural persons, associations, incorporated or unincorporated groups organized on a cooperative basis, or any nonprofit groups who are in accord with its purposes and is willing to accept the responsibilities of membership.

2.2 Nondiscrimination. Membership shall be open without regard to any characteristic that does not directly pertain to a person's eligibility.

2.3 Admission. Any eligible entity (See 2.1 above) may be admitted to membership upon submitting an application and investing Equity in a membership share in an amount and on such terms as determined by the Board. A natural person's membership share allows all the members from that person's household to shop under that membership share; however one person from the household must be designated as the voting member. For associations, etc. (See 2.1) a single individual must be designated as the authorized representative for both shopping and voting purposes.

2.4 Rights. Each member shall have an equal right to participate in the governance of the Cooperative as described in these bylaws. Members have the right to serve as a director, elect the Cooperative's Board, to attend and participate at meetings of the Board in accordance with these bylaws, to receive notice of and participate in membership meetings, to petition as described in these bylaws, and to approve amendments to these bylaws. Each member shall have one vote and no more on all matters subject to member voting. The rights of members shall apply only to active members in good standing. All rights and responsibilities of members are subject to the requirements and limitations of the bylaws as they may be amended from time to time, and to policies and decisions of the Cooperative or the Board.

2.5 Responsibilities. Members shall keep current in equity investments due to the Cooperative, shall keep the Cooperative informed of any changes in name or current address, and shall abide by these bylaws and the policies and decisions of the Cooperative or the Board, and by the means established in these bylaws to amend such bylaws, policies and decisions. A member who upholds these responsibilities is considered an active member in good standing.

2.6 Access to Information. Members shall have access through print or electronic means to: copies of these bylaws; reasonably adequate and timely information as to the organizational and financial affairs of the Cooperative; current Board policies and procedures for Board nominations and member voting; copies of meeting minutes; and the date, time, location and agenda of scheduled meetings.

2.7 Settlement of Disputes. In any dispute between the Cooperative and any of its members or former members which relates to normal membership transactions and which cannot be

resolved through informal negotiations, 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. Should a lawsuit result between the parties, legal fees shall be awarded to the prevailing party.

2.8 Termination of Membership. Membership may be terminated voluntarily by a member at any time upon written notice to the Cooperative. The Board may also terminate membership involuntarily for good cause, provided that the member is accorded the opportunity to answer the charges either in person or in writing.

2.9 Return of Equity. Equity shall be returned upon termination of membership in the Cooperative, under terms determined by the Board, provided that the Board has determined that the equity is no longer necessary for the reasonable or prospective capital needs of the Cooperative.

2.10 Unclaimed Equity. If a member voluntarily or involuntarily terminates membership in the Cooperative, and fails to inform the Cooperative of his or her current mailing address within ninety (90) days of terminating ownership, then the equity and patronage dividend amount allocated to that member will be forfeited by the member to the Cooperative.

2.11 Non-transferability. Membership rights and member equity may not be transferred to any member outside of the household or business.

Article III: Member Meetings and Voting

3.1 Annual Meetings. The annual shareholder meeting shall be held each year at a time and place determined by the Board. 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 Cooperative, to elect directors and to conduct such other business as may properly come before the meeting.

3.2 Special Meetings. Special meetings of the membership may be called by the Board, either by decision of the Board or in response to a written petition stating a proper purpose and signed by 15% of the active members. Notice of special meetings shall be issued to members. In the case of a petition, notice of the special meeting will be issued within ten (10) days after a presentation of the petition to the Board. No business shall be conducted at that special meeting except that specified in the notice of meeting.

3.3 Notice of Meetings. Notice of all annual and special members' meetings shall be given no less than four (4) weeks prior to the date of the meeting. It shall include the date, time, place and purpose of the meeting. Notice shall be given by all of the following:

- (a) publication in a newspaper of local circulation;
- (b) posting in a conspicuous place in the Cooperative;
- (c) written notice to members whether in paper or electronic format;

Failure of a member to receive notice of an annual or special members' meeting shall not invalidate an action that is taken by the members at a members' meeting.

3.4 Voting. Each share in the Cooperative is entitled to one vote. For households owning one share, there shall be one (1) designated voting member. For associations, etc. (See 2.1) one (1) individual must be designated as the authorized representative for voting purposes. Voting by proxy is not permitted. Voting shall be accomplished through methods and means established by the Board, with the intent of maximizing member participation. Notice of the vote shall be posted in a conspicuous place at the Cooperative and communicated through by written notice delivered by postal or electronic address not less than four (4) weeks prior to the end of the voting period. Unless otherwise stated in the Articles of Incorporation, or these bylaws, or required by law, all questions shall be decided by a vote of a majority of the member-owners voting thereon.

3.5 Quorum. At any meeting of the members or for any vote of the members, a quorum necessary for decision-making shall be 5% of the total number of member-owners or at least 50 member-owners. For ballot voting, absentee ballots shall be included in the count toward a quorum. The attendance of a sufficient number of members to constitute a quorum shall be documented by a voter checklist of the members present at the meeting and those voting by absentee ballot.

Article IV: Board of Directors

4.1 Powers and Duties. The Board shall be composed of nine (9) directors. Except for matters for which member voting is required, the Board shall have full power to govern the Cooperative including, but not limited to, hiring management, evaluating its performance and establishing compensation, and assuring the mission of the Cooperative is carried out.

4.2 Eligibility. Directors shall be member-owners of the Cooperative in good standing and not associated with any interests adverse to the Cooperative. Employees and spouses or domestic partners of employees may not serve as directors.

4.3 Terms and Elections. Directors shall serve a term of three (3) years and shall serve staggered terms so that approximately one-third ($\frac{1}{3}$) of the Board is elected each year. No director shall serve more than three (3) consecutive terms.

4.4 Officers and Elections. The Board will have a Chair, Vice-Chair, Secretary and Treasurer. Officers will be elected from the Board at the first Board meeting following the election of directors. The Board will designate officers according to the requirements of state law and as necessary for the effective conduct of Board business.

4.5 Nomination. Any member in good standing may apply for candidacy to the Board. If a member is not selected for candidacy by the Nominations Committee they may be added to the ballot by submitting to the Board Secretary, no less than twenty-one (21) days before the Annual Meeting, a petition of twenty-five (25) member-owners in good standing. Upon verification of the signatures they shall be accorded the same opportunities to present campaign statements as accorded to other candidates.

4.6 Vacancies. Any vacancy among directors elected by the members may be filled through appointment by the Board. A director so appointed shall serve only until the next Board election, at which time the member-owners will elect a director to fulfill the remainder of the pertinent term.

4.7 Termination. Board members may terminate their board membership voluntarily. Board membership will terminate automatically upon expiration of the three-year term or if the member misses three consecutive or five total meetings within one year. A director may be removed by decision of $\frac{2}{3}$ of the remaining directors for conduct contrary to the best interests of the Cooperative or failure to follow Board policies.

4.8 Meetings. The Board shall hold regular and special meetings at such time and place as it shall determine, and all Directors shall be notified in writing of said meeting at least five (5) days in advance unless the Board agrees to a shorter notice. The Board will provide reasonable notice of all board meetings to member-owners. Attendance at any meeting constitutes waiver of notice of that meeting. Meetings shall be open to all member-owners unless the Board decides to go into executive session regarding confidential or proprietary matters such as: labor relations or personnel issues; negotiation of a contract; discussion of strategic goals or business plans, the disclosure of which would adversely impact the Cooperative's position in the marketplace; and/or discussion of a matter that may, by law or contract, be considered confidential.

4.9 Use of Electronic Communications for Board Meetings. Any meeting of the Board may be conducted by telephone or other electronic means of communication through which the directors may simultaneously communicate with one another.

4.10 Action without a Meeting. Any action required or permitted to be taken at a meeting of the Board may be taken by written action affirmed by all of the directors. The action is effective when affirmed by all of the directors unless a different effective time is provided in the action.

4.11 Quorum. A majority of the current directors shall constitute a quorum and no decisions may be made without a quorum.

4.12 Conflicts of Interest. Directors shall be under an obligation to disclose their actual or potential conflicts of interest. Directors having such a conflict shall absent themselves from discussion and decision of any related matter under consideration by the Board unless

otherwise determined by the board. Directors may not do business with the Cooperative except in the same manner as other member owners generally do business with the Cooperative or under conditions that are procedural defined to avoid preferential treatment.

4.13 Committees. The Board may designate committees to perform specific functions and shall have such authority as provided by the Board. Committees are subject at all times to the direction and control of the Board. No committee shall operate to relieve the Board of any legal responsibilities in the oversight of the Cooperative.

4.14 Fiscal Accountability. Thorough fiscal statements of the Cooperative for each operating year shall be made available to the Board and its members. The Board shall arrange for an audit or review of the financial statements of the Cooperative by an independent public accountant selected by the Board at least every other fiscal year.

4.15 Indemnification. This Cooperative shall indemnify each person who is or was a director, officer, manager, employee or agent of this Cooperative, and any person serving at the request of this Cooperative as a director, officer, manager, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses, including attorneys' fees, judgments, fines, and amounts paid in settlement actually and reasonably incurred to the extent to which such directors, officers, managers, employees or agents of this Cooperative may be indemnified under the law of Vermont.

Article V: Patronage Dividends

5.1 Allocations to Member-Owners. The Cooperative shall allocate and distribute to member-owners the net profit from business done with them in such a manner as to qualify them as patronage dividends consistent with Cooperative principles, applicable state and federal laws and generally accepted accounting principles. The Board shall determine when and how such allocations and distributions will be made.

5.2 Consent of Members. By obtaining or retaining membership in the Cooperative, each member-owner 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 Cooperative. Each member-owner also agrees that if his or her patronage dividend is not cashed within 90 days of the date on which it was issued by the Cooperative the Cooperative shall have the right to make a contribution in the name of that member to support other organizations aligned with the Cooperative's purpose in a manner as may be directed by the Board from time to time.

Article VI: Dissolution and Liquidation

6.1 Asset Distribution. The Cooperative may be dissolved or liquidated upon a decision of the Board and a two-thirds (2/3) vote of the member-owners who participate in the vote. Upon dissolution of the Cooperative 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 equity accounts which, if they cannot be paid in full, shall be paid on a *pro rata* basis; (iii) by distributing any remaining assets in a way that furthers the Cooperative's mission, as determined by the Board.

Article VII: Bylaws

7.1 Amendments. These bylaws may be amended or repealed in whole or in part by a majority of the member-owners who participate in the vote. An amendment may be proposed by decision of the Board or by petition of at least fifteen percent (15%) of active member-owners. The proposed amendment shall be publicized to the membership not less than four (4) weeks prior to the voting process, which shall be held at a time and in a manner determined by the Board.

Final draft