

**PROPOSED BYLAWS OF
PUTNEY CONSUMERS' COOPERATIVE, Inc.**

**Article I
Organization**

1.1 Name The name of the organization shall be Putney Consumers' Cooperative (henceforth "the Cooperative"), registered as a Consumer's Cooperative corporation under Vermont Statutes with offices located in Putney, VT.

1.2 Ownership The Cooperative shall be owned by its members and shall operate for the mutual benefit of its members.

1.3 Purpose The Cooperative is established in accordance with cooperative principles and for the following purposes:

- a) Generally promote the welfare of its members by utilizing their united funds and efforts for the acquisition and distribution of food and other products and for the performance of related services.
- b) Operate a local market place which emphasizes product quality, customer satisfaction, and a healthy working environment, with a focus on natural foods and a respect for the environment.

1.4 Philosophy of the Cooperative We are guided by the needs of our members.

- a) We encourage and invite diversity in all aspects of the Cooperative.
- b) Being community owned we are dedicated to the support of the economy, diversity, and well being of the local area.
- c) We strive to educate our members in respect to food related health and social issues, and in respect to the cooperative movement as a way of doing business.
- d) Above all, the Cooperative shall strive to be a member in good standing of the community by supporting local efforts, which benefit the common good.

1.5 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) Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
- b) Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives members have equal voting rights (one member, one vote) and co-operatives at other levels are also organized in a democratic manner.
- c) Members contribute equitably to, and democratically control, the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing

their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

- d) Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.
- e) Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.
- f) Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.
- g) Co-operatives work for the sustainable development of their communities through policies approved by their members.

1.6 Governance The business of the Cooperative shall be governed by its Board of Directors, selected by and accountable to its members as described in these Bylaws. The members shall retain all powers required by law or by these Bylaws.

Article II: Membership

2.1 Eligibility Membership in the Cooperative shall be voluntary and open to any individual who is 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 person may be admitted to membership upon submitting an application and investing equity in an amount and on such terms as determined by the Board of Directors (henceforth "the Board").

2.4 Rights Each member shall have an equal right to participate in the governance of the Cooperative as described in these by-laws. 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 be understood to apply only to active members in good standing, as defined in Section 2.5 below. 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 by-laws; 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.

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 Property If a member voluntary 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 in any manner. Any attempted transfer contrary to this section shall be wholly void and shall confer no rights on the intended transferee.

Article III: Member Meetings and Voting

3.1 Annual Meeting A membership meeting shall be held locally each year at a time and place to be determined by the Board, and announced no less than twelve (12) weeks before the meeting date. The purpose of such meetings shall be to hear reports on operations and finances, to review important policy changes and issues that vitally affect the Cooperative, elect directors, and to transact 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 of at least 10% of active members in good standing, stating the proper business to be conducted at the meeting. Special meetings may also be called upon request of any three directors. Notice of special meetings shall be issued to members in a timely manner. In the case of a petition, notice of the special meeting will be issued in writing within ten (10) days after a presentation of a properly supported petition to the Board. Special meetings shall be held as promptly as feasible after issuing notice. No business shall be conducted at that special meeting except as specified in the notice of meeting.

3.3 Notice of meetings In addition to mailing written notice of each meeting of the membership to each member, notice of the date, time, place and purpose of each meeting of the membership shall be posted in a conspicuous place at the Cooperative, published in a newspaper of local circulation, and communicated to members via other means deemed appropriate by the Board from time to time, not less than four (4) weeks prior to the date of the meeting. Written notice to members, whether in paper or electronic format, shall be effective when mailed or sent and correctly addressed to the member's last known address in the Cooperative's records of members. Any decision on issues not included in the notice of a meeting shall be of an advisory nature only.

3.4 Voting Voting on any decision 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 to members 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 members voting thereon. In the case of contested elections of directors or where more than one option is presented on a single issue, the decision shall be made by plurality of votes cast, except where a higher percentage is required by law or by these by-laws. Proxy voting is not allowed.

3.5 Quorum The presence in person of at least fifty (50) members shall be necessary and sufficient to constitute a quorum for the transaction of business at any membership meeting.

3.6 Issues Submitted by Members Notices of a meeting of members shall include any proper issue submitted by petition of thirty-five (35) members. Petitions must be received at the Cooperative not less than sixty (60) days before the date of the meeting at which they are to be presented.

ARTICLE IV: Board of Directors

4.1 Powers and Duties Except as to matters reserved to members by law or by these bylaws, the business and affairs of the Cooperative shall be directed and overseen in the interests of the members by the Board. 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 and evaluating its performance; implementing fiscal controls, borrowing money and granting security therefore, ensuring fair and equitable conditions of employment, leadership in the realm of long range policy, establishing, with member approval, compensation for the Board; and assuring that the purpose and principles of the Cooperative are carried out.

4.2 Number, Terms and Elections The Board shall be composed of nine (9) directors elected from among members of the Cooperative and may include up to two (2) Cooperative employees. Director shall not have any overriding conflicts of interest. Elections shall occur annually, in a manner prescribed from time to time by the Board. Directors shall serve a term of three (3) years and shall serve staggered terms so that approximately one-third (1/3) of the Board is elected each year.

4.3 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 obtaining a petition of thirty-five (35) member-owners in good standing, and shall be accorded the same opportunities to present campaign statements as accorded other candidates.

4.4 Vacancies Any vacancy among directors elected by the members may be filled by appointment by the Board. A director so appointed may be presented as a candidate for election at the next regular Board election.

4.5 Contracts for Profit A director shall not during her/his term of office be a party to a contract for profit with the Cooperative differing in any way from the business relations accorded members generally or upon terms differing from those generally current among members.

4.6 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 written notice to the Cooperative;
- b) involuntarily, with cause, by action of a membership vote; or
- c) involuntarily for cause, which may include but not be limited to:
 - termination of membership;
 - absence from three (3) regularly scheduled consecutive Board meetings; or
 - by a two-thirds (2/3) vote of the Board, provided the director is accorded the opportunity to answer the charges either in person or in writing.

A director who applies for employment at the Cooperative must first resign from the Board. A director who is also a paid employee of the Cooperative must resign from the Board if and when their employment ends.

4.7 Board Meetings The Board shall hold regular and special meetings at such time and place as it shall determine. The Board shall meet no less frequently than ten (10) times in a calendar year. Meetings may be called by the Board, by the President, or any two directors. Meetings shall be open to all members 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. Such executive sessions shall be for purposes of discussion only. The Board may otherwise exclude members from Board meetings only for cause.

4.8 Notice Directors shall be notified in writing of regular meetings of the Board not less than ten (10) days before the meeting. Directors shall be notified in writing of special meetings of the Board no less than three (3) days before the meeting. An announcement of all Board meetings shall also be posted conspicuously at the Cooperative no more than one (1) day after calling a meeting.

4.9 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, and shall be recorded in the Board's minutes. The action is effective when affirmed by all of the directors, unless a different effective time is provided in the action.

4.10 Quorum A majority of seated directors shall constitute a quorum for the transaction of business at any meeting of the Board. Decisions of the Board shall be made by majority vote of directors. A meeting of the Board may be conducted by means of a telephone conference or other communications equipment or computer program whereby all persons participating can hear each other at the same time. Participation by such means shall constitute presence in person at such a meeting. Meetings held by electronic means, as described herein, shall not be used for the purpose of excluding members.

4.11 Conflicts of Interest Directors shall be under an obligation to disclose their actual or potential conflicts of interest in any matter under consideration by the Board. Directors having such a conflict shall not be present during discussion and decision of the matter.

4.12 Officers The Board will designate officers according to the requirements of state law and as necessary for the effective conduct of Board business. Cooperative employees are not eligible to serve as President, Vice-President or Treasurer.

4.13 Committees: The Board may designate committees to perform specified functions, such as nominating candidates to fill Board vacancies. Committees exercising the powers of directors shall be composed of directors.

4.14 Fiscal Accountability Thorough financial statements of the Cooperative for each operating year shall be made available to the Board and the 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 each fiscal year. This review or audit shall include financial management review and a report to the Board concerning management performance, adherence to governing policy, adequacy of operating controls and procedures and such other matters as determined by the Board.

4.15 Indemnification The Cooperative shall indemnify and reimburse each past, present and future directors, officers, and employees for any claim or liability (including expenses and attorneys' fees actually and reasonably incurred in connection therewith) to which such person may become subject by reason of being a director, officer or employee. Such indemnification shall be made only if it is determined by the Board that the director, officer, or employee acted in good faith in the reasonable belief that his or her action was in the best interests of the Cooperative, or as otherwise allowed by law.

ARTICLE V: Patronage Dividends

5.1 Allocations to Members The Cooperative shall allocate and distribute to members 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, consistent with same.

5.2 Consent of Members By obtaining or retaining membership in the Cooperative, each member 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 agrees that if his or her patronage refund 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 the local food system in a manner as may be directed by the Board from time to time.

5.3 Treatment of Losses In the event the Cooperative shall incur a net loss from operations in any fiscal year, such loss may either be charged against retained savings or other unallocated members' equity or carried forward to offset distributable net savings of subsequent fiscal years, as determined by the Board. No loss shall be allocated to, or assessed against, members.

ARTICLE VI: Dissolution

6.1 Asset Distribution The Cooperative may be dissolved upon a decision of the Board and a two-thirds (2/3) vote of the members who participate in the vote. Upon dissolution of the Cooperative, its assets shall be distributed in the following manner and order:

- a) by paying or making provision for payment of all liabilities and expenses of liquidation;
- b) by redeeming any equity accounts which, if they cannot be paid in full, shall be paid in an equitable manner;
- c) by distributing any remaining assets in accordance with a plan of distribution approved by vote of the members.

ARTICLE VII: By-laws

7.1 Amendments These by-laws may be amended or repealed in whole or in part by two-thirds (2/3) of the members who participate in the vote. An amendment may be proposed by decision of the Board or by petition of at least sixty-five (65) active members in good standing. The complete text of the proposed amendment and the voting methods shall be communicated to the membership following the notice requirements of these bylaws.