

WHAT IS A CO-OP?

A Coöperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural aspirations through a jointly-owned and democratically-controlled enterprise.

PRINCIPLES OF CO-OPERATIVES

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Information and Training
6. Cooperation Among Cooperatives
7. Concern for Community

VALUES

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. Cooperative members support the ethical values of honesty, openness, social responsibility and caring for others.



"your greengrocer!"
P.O. Box 263
Lafayette, Indiana 47902

Bylaws of CITY FOODS INC. Lafayette, Indiana



ARTICLE I - NAME

Section 1.1 - Name:

The name of this cooperative shall be "City Foods" hereinafter referred to as the "Co-op."

ARTICLE II - PURPOSES

Section 2.1 - Purposes:

To promote and support development of member-owned cooperative businesses and services, especially in and around Lafayette, Indiana. Furthermore to perform any purpose which mutual benefit corporations are authorized under the Indiana Non-Profit Act and by Subchapter T of the Internal Revenue Code.

Section 2.2 - Mission Statement:

Our mission is to serve the nutritional, social, and economic needs of our members and community by providing a market for local, fair-trade, sustainable, independent, and healthful goods and services in a friendly, cooperative environment.

ARTICLE III - MEMBERSHIP

Section 3.1 - Admission as Members:

Membership in the Co-op shall be voluntary and open to all who support the mission and goals of the Co-op and who are legally qualified. Applicants shall be admitted to membership upon submitting the required application and fulfilling the terms of the membership agreement, subject to Board approval.

Section 3.2 - Discrimination:

The Co-op shall not discriminate on the basis of race, creed, age, gender, disability, sexual orientation, marital status or other arbitrary basis.

Section 3.3 - Membership Classes:

There shall be one class of membership, and all Members shall have the same rights and responsibilities.

Section 3.4 - Transfer of Membership:

A member cannot transfer her or his membership to another eligible person without the consent of the Board of Directors.

Section 3.5 - Termination of Membership:

Membership may be terminated voluntarily by a Member upon notice to the Co-op. Membership may be terminated by the Board for cause. Upon the voluntary termination of a membership, the Member may redeem the value of the original membership fee paid, subject to such limitations as shall be determined by the Board.

Section 13.3 - Amendment by Members:

These bylaws may be amended or repealed at a meeting of Members, provided that the proposed amendments are stated in the notice of the meeting at which the amendments are to be adopted.

Section 13.4 - Ratification of Bylaws:

A vote of at least two-thirds (2/3) of the total membership present at the membership meeting shall be required to amend the bylaws.

ARTICLE XIV - CITY FOODS' POLICY MANUAL

Section 14.1 - Policy Manual:

The Policy manual establishes guidelines and rules for daily operations of the Co-op. All matters not addressed in these bylaws and the interpretation of the provisions of these bylaws shall be addressed in the Co-op Policy Manual. In all questions of intent, interpretation and implementation of these bylaws, the Co-op shall be guided by the Policy Manual, subject to applicable City, County, State and Federal law, ordinance or regulation.

Section 14.2 - Maintenance of Policy Manual:

The Board Secretary shall maintain and update the Policy Manual at the direction of the Board of Directors. All Board Members are expected to be familiar with the provisions of the City Foods Policy Manual.

ARTICLE XII - DISSOLUTION

Section 12.1 - Dissolution of the Co-op:

Upon 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 revolving capital accounts which, if they cannot be paid in full, shall be paid in the order of the oldest outstanding amounts; (iii) by redeeming capital certificates 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, unless otherwise determined by the membership of the Co-op, to one or more organizations affiliated the cooperative movement.

ARTICLE XIII - INTERPRETATION AND AMENDMENT OF BYLAWS

Section 13.1 - 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 13.2 - Amendment by the Board:

The Board of Directors shall have the power to make and alter any bylaw or bylaws, including the fixing and altering of the number of Directors. The text of the proposed amendments shall have been sent to all directors with the call for the meeting at least ten days in advance of such meeting. All amendments made by the Board shall be submitted to Members within the notice of the next scheduled meeting of Members. If the amendments are not approved, the Board shall be required to reinstate the portion of the bylaws affected by such disapproval to the form in which it was prior to such action by the Board, without prejudice to the ability of the Board to make other amendments on the same subject or to the same portion of the bylaws at a later time.

Section 3.6 - Settlement of Disputes:

In any dispute that involves normal membership transactions and that cannot be resolved through informal negotiation, it shall be the policy of the Co-op to use 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.

ARTICLE IV - MEMBERSHIP MEETINGS

Section 4.1 - Annual Membership Meeting:

The Board of Directors shall organize an annual meeting of Members within the first four months of each fiscal year.

Section 4.2 - Special Member Meetings:

A special Members' meeting shall be called if warranted by special circumstances as determined by the Board of Directors, including a petition signed by not less than 10% of the membership.

Section 4.3 - Place of Membership Meeting:

All meetings shall be held in Tippecanoe County.

Section 4.4 - Notice of Member Meetings:

Notice of Members' meetings shall be provided to each member by the most expedient means available at least two weeks before the scheduled meeting date, and shall include at a minimum: the time, date, location and purpose of the meeting.

Section 4.5 - Voting Rights:

Thirty days prior to the Member meeting, the Board shall establish a roster of Members. Only Members as of that date shall receive the notice and be eligible to vote at that meeting.

Section 4.6 - Voting Eligibility:

Members shall vote on the basis of one-member, one vote. If a membership is held by a household or business entity, only one person shall be designated as the voting Members for that household or entity. This shall be the person designated on the original or amended membership agreement.

Section 4.7 - Proxies:

No proxies are allowed for membership meetings.

ARTICLE V - BOARD OF DIRECTORS

Section 5.1 - General Powers of Board of Directors:

The business and affairs of the Co-op shall be managed under the direction of the Board of Directors (sometimes referred to in City Foods' bylaws as the "Board"). In the conduct of its affairs, the Board shall strive to represent the interests of the membership and to ensure the successful functioning of the Co-op's businesses subject to the provisions of these bylaws.

Section 5.2 - Number of Directors and Vacancies:

The Board shall consist of five to nine directors elected by the Members. All directors shall be Members. Any Director who wishes to resign his or her office may do so, giving the Board

Allocated net losses which are not so offset may be charged against the carrying value of capital certificates only upon termination of membership. Allocated net losses shall not otherwise be assessed to or collected from Members.

Section 10.8 - Limitation:

No patronage rebate shall be disbursed and no revolving capital account shall be redeemed unless, after the disbursement or redemption, the Co-op would be able to pay its debts as they become due in the usual course of its activities, and the Co-op's total assets would at least equal the sum of its liabilities.

ARTICLE XI - INDEMNIFICATION

Section 11.1 - Indemnification of Directors:

The Co-op shall, subject to the limitations in this Article, indemnify its current and former directors and officers against all liabilities and expenses to which they may actually and reasonably become subject by reason of their positions with the Co-op or their service in its behalf to the fullest extent permitted by law.

Section 11.2 - Limitations on Indemnification:

No indemnification shall be made unless the person to be indemnified is successful on the merits in defense of the action or is determined to have met the applicable standard of conduct in the manner required by law. 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.

Section 10.5 - Revolving Capital Accounts:

Patronage rebates not currently distributed by check shall be credited or charged to revolving capital accounts in the names of recipient Members. Revolving capital accounts shall accrue no dividend or interest, and shall be assignable only to the Co-op.

Section 10.6 - Redemption of Revolving Capital:

Revolving capital that is no longer needed for capital purposes of the Co-op may be redeemed in such amounts and at such times as may be determined by the Board of Directors. At that time they shall be redeemed only in the order of the oldest outstanding amounts and only on a ratable basis among such amounts for each fiscal year, except that redemptions may be made payable only to Members who are in good standing or become so within a stated period of time. Revolving capital accounts may otherwise be redeemed only upon compelling circumstances as determined by the Board. Revolving capital accounts shall be redeemed at their carrying value on the books of the Co-op or their net book value, whichever is lesser.

Section 10.7 - Allocation of Net Loss:

In the event the Co-op shall incur a net loss in any fiscal year, such loss may be charged against retained savings or other unallocated equity accounts. If the net loss exceeds such amounts, or in any event if the Board so determines, the amount of such loss may either be carried forward to offset adjusted net savings of subsequent fiscal years or allocated to Members in the same manner as for adjusted net savings except that such allocation shall not exceed the total of invested capital. Any such allocated net loss shall be charged first against retained patronage rebates of prior fiscal years and then against patronage rebate allocations of subsequent fiscal years.

thirty days prior notice whenever possible. The Board for cause may remove a Director from office by a two-thirds (2/3) majority vote of the entire Board membership.

As spelled out in the Policy Manual, vacancies shall be filled by a vote of remaining Board members for the remainder of the term.

Section 5.3 - Meetings of the Board of Directors:

The Board shall meet on a regularly scheduled and publicized basis, usually once a month at a location to be determined by the Board.

Section 5.4 - Board Decisions:

Whenever possible, Board decisions shall be made by consensus. Whenever not possible, two-thirds (2/3) vote of the Board shall be required.

Section 5.5 - Open Meetings:

All meetings of the Board shall be open to all Members of the Co-op and all guests of the Board. The Board may meet in executive session to conduct business concerning legal, financial or personnel matters of a sensitive nature, or other similar situations. These executive sessions shall be called by the Board and shall be open only to Directors and such other persons as the Board may expressly allow.

Section 5.6 - Organization of the Board Meetings:

The President shall call meetings of the Board to order and shall act as facilitator of such meetings, however the Board may delegate such responsibilities to any other member of the Board.

Section 5.7 - Election of Directors:

Directors shall be elected annually by the membership at large. Directors shall serve a maximum of two (3-year) consecutive terms and must sit out one year before being eligible for re-election. Board member terms established shall be staggered so that one third (1/3) Board positions shall come open for voting, *per annum*.

Section 5.8 - Quorum at Board Meetings:

A quorum shall consist of a minimum of half plus one (1/2 +1) current Board members rounded up to the next whole number when the number of Board members is an uneven number.

Section 5.9 - Executive Committee:

The Board of Directors shall appoint the Executive Committee. The Executive Committee shall be comprised of at least three officers of the Board and any other such Members as shall be determined by the Board. The Executive Committee shall be empowered to act on behalf of the Board and make *ad hoc* decisions only when necessary, subject to Board approval at the next scheduled or special meeting.

Section 5.10 - Committees:

The Board shall establish committees as needed for the successful function of the Co-op.

Section 5.11 - Conflict of Interest:

The Board and Staff of City Foods shall administer the affairs of City Foods honestly and economically and exercise their best care, skill and judgment for the benefit of City Foods. They shall not use their position or knowledge gained there from, so that a

Section 10.2 - Basis of Allocation:

Amounts distributed to Members as patronage rebates shall be based upon the net savings of the Co-op from business done with Members, reduced only by amounts which are not allowable under federal tax laws and by such reasonable reserves for necessary business purposes as may be determined by the Board. In determining and allocating such adjusted net savings, the Co-op shall use a single allocation unit except to the extent that it shall, subsequent to the adoption of these bylaws, engage in any new and distinct line of business. Such adjusted net savings shall be allocated to each Member in the proportion which his or her patronage bears to the total of all Member patronage during the fiscal year. All Members shall be considered patrons of the Co-op to the extent of their purchases of goods and services measured in terms of its dollar amount.

Section 10.3 - Distribution and Notice:

Patronage rebates shall be evidenced by written notices of allocation delivered to recipient members within one month following the close of the fiscal year. All notices, except those subject to Section 10.7 hereof, shall be accompanied by checks in an amount determined by the Board which must be at least twenty percent of the total allocation. 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 Members.

Section 10.4 - Consent of Members:

By obtaining or retaining membership in the Co-op, each Member 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 9.4 - Redemption of Capital Certificates:

Upon written request following termination of membership, the capital certificate of such person shall be redeemed as soon as replacement capital has been secured by the Co-op from other Members. Capital certificates shall be redeemed at their carrying value on the books of the Co-op or their net book value, whichever is lesser. In the case of voluntary termination of membership, a reasonable processing fee may be imposed, as determined by the Board. No redemptions shall be made unless, after the redemption, the Co-op would be able to pay its debts as they become due in the usual course of its activities, and the Co-op's total assets would at least equal the sum of its liabilities. Reapplications for membership shall be subject to full repayment of redemption proceeds and a reasonable reprocessing fee, if any, as determined by the Board. Redemption proceeds shall at all times be subject to offset by amounts otherwise due and payable to the Co-op.

ARTICLE X - PATRONAGE REBATES

Section 10.1 - Patronage Rebate Allocations to Members:

In order to assure that it will operate on a nonprofit basis relative to its transactions with Members, the Co-op shall allocate and disburse to Members its adjusted net savings from business done with them in the manner set forth in this Article. Members shall retain the right to waive in whole or in part, by action at a meeting of Members, any patronage rebates to which they may be entitled.

conflict might arise between the interests of City Foods and that of the individual or an organization affiliated with the individual. Any officer, director or staff member of City Foods shall have a duty to disclose any potential conflict of interest and agrees to sign the City Foods' Conflict of Interest policy on an annual basis.

Section 5.12 - Authorization of Contracts:

The Board of Directors shall have the sole authority to approve and sign contracts, or to delegate such authority as the Board shall at its sole discretion, determine from time to time.

ARTICLES VI - OFFICERS

Section 6.1 - Board Officers:

The Board of Directors shall elect a President, Vice-President, Secretary and Treasurer and any other such officers as may be deemed desirable by the Board of Directors. All officers are required to be elected Directors of the Board.

Section 6.2 - Election of Officers:

The officers of the Co-op shall be elected annually from among and by the Board of Directors at the first meeting of the new Board of Directors.

Section 6.3 - Board President:

The President shall coordinate the activities of the Board, preside over meetings of the Board and members, sign formal documents on behalf of the Co-op, and as appropriate, represent the Co-op in dealings with the community and the media.

Section 6.4 - Vice-President:

The Vice-President shall have primary responsibility for familiarity with the provisions of the Co-op Policy Manual, and shall perform the duties specified in Section 6.3 as needed.

Section 6.5 - Treasurer:

The Treasurer shall oversee the maintenance of financial records, the reporting of financial information and the filing of required reports and returns.

Section 6.6 - Secretary:

The Secretary shall compile and distribute the official Board meeting minutes and maintain and up-date official records including the bylaws and Policy Manual of the organization. The Secretary shall be responsible for maintaining the roster of Members.

Section 6.7 - Officer Vacancies:

If an office becomes vacant it shall be filled by appointment by the Board of Directors, and the officer so chosen shall hold office until her or his successor is elected.

ARTICLE VII - BOOKS AND RECORDS

Section 7.1 - Open Books and Record:

The Co-op shall maintain such book and records as are required by Indiana law. Members shall be provided access to Co-op records to the greatest extent practical, by means to be determined by the Board, subject to applicable law and privacy considerations.

ARTICLE VIII - FISCAL YEAR

Section 8.1 - Fiscal Year:

The fiscal year of the Co-op shall begin on the first day of January in each year and end on the last day of December of the same year.

ARTICLE IX—CAPITAL CERTIFICATES

Section 9.1 - Issuance and Terms of Capital Certificates:

To evidence capital funds provided by Members, the Co-op shall issue capital certificates upon full payment of its purchase price. The purchase price of capital certificates shall be set by reference to the current and prospective capital needs of the Co-op. Capital certificates shall be entitled to no dividends or other monetary return on investment, shall be nontransferable, and may not be pledged or hypothecated.

Section 9.2 - Capital Certificates:

Capital certificates shall be signed personally or by facsimile by the President and the Secretary and shall be numbered and registered by the Co-op. The Co-op may issue a replacement certificate for any certificate alleged to have been lost, stolen or destroyed without requiring the giving of a bond or other security against related losses.

Section 9.3 - Accounting for proceeds:

Amounts received for capital certificates shall be credited on the books of the Co-op to capital accounts in the names of contributing members. The Co-op shall segregate proceeds of capital certificates in a separate bank account that may be used only for acquiring capital assets or for paying liabilities incurred for such purpose.