

# Bylaws of the Farm to City Harvest Store

Current as of June 24, 2024

Board Approved July 10, 2024



## **Bylaws of the Farm to City Harvest Store, Inc.**

As organized under the Illinois Cooperative Act of 1915

### **Article 1 ORGANIZATION**

**Section 1.1 Name.** The name of the organization is Farm to City Harvest Store (hereinafter referred to in these bylaws as “the Co-op”).

**Section 1.2 Purpose / Mission Statement.** The purpose of the Co-op is to provide groceries and other consumer goods to its owners and others in the food insecure region surrounding Farmer City, Illinois. The mission of the Co-op envisions a thriving community-owned grocery market that offers locally sourced food and goods, facilitating connections between producers and their neighbors, all while strengthening our rural community and economy. The Co-op shall be operated on a cooperative basis, not to make profits for the Co-op or its owners as such, but to benefit owners as patrons.

**Section 1.3 Cooperative Principles.** The Co-op shall be operated by the cooperative principles adopted by the 1995 General Assembly of the International Cooperative Alliance:

1. Voluntary and open membership and ownership without discrimination;
2. Democratic member control, i.e. One Member = One Vote;
3. Member economic participation;
4. Autonomy and independence;
5. Providing education, training, and information to the general public;
6. Cooperation with other Cooperatives; and
7. Concern for the community.

**Section 1.4 Nondiscrimination.** The Co-op shall not discriminate based on race, color, sex, sexual orientation, gender identity, physical or mental disability, genetic predisposition, religion, age, ancestry, national origin, political affiliation, or any other protected classification now or in the future in force under the constitution and laws of the State of Illinois and / or the United States of America.

**Section 1.5 Fiscal Year.** The fiscal year of the Co-op shall begin on July 1st and end on June 30th of the following year.

### **Article 2 CO-OP OWNERSHIP**

**Section 2.1 Membership and Ownership Eligibility and Admission.** Ownership in the Co-op shall be voluntary and open to any individual, household, or organization whose purpose is to make purchases from the Co-op for his, her, their, or its own use and who is willing to accept the responsibilities of ownership. Joint ownership is limited to two individuals living in the same household and shall not be permitted in

any other instance. Any natural person age 18 years or older or any duly-organized organization may become a member upon:

1. Approval of a completed member application under a procedure adopted by resolution of the Co-Op's Board of Directors (hereinafter referred to in these bylaws as "the Board"); and
2. Purchasing or receiving a share or shares in the Co-op which shall be conferred following full payment of the par value of the share(s) so purchased at a value to be set by the Board and approved by the Member-Owners, being memorialized in the Co-Op's articles of incorporation; and
3. Meeting other membership and ownership criteria as may be established from time to time by the Board, including but not limited to annual purchase requirements per share.

Shareholders who are concurrently members in good standing with the Co-Op shall be herein referred to as "Member-Owners." Membership and its concurrent ownership of shares in the Co-op are not transferable for any reason except for (a) shares held jointly by two individuals in the same household and (b) transfers from the Member-Owner back to the Co-Op.

**Section 2.2 Common Stock.** The Board may issue one or more shares of common stock to each member, provided the limitations set forth in Section 2.4 are followed. Common stock shall pay patronage dividends as determined by the Board by affirmative vote from time-to-time may not be transferred, and may be redeemed only as set forth herein. The par value of common stock shall be initially set at \$100 per share.

**Section 2.3 Preferred Stock.** The Board may issue one or more shares of preferred stock to each member, provided the limitations set forth in Section 2.4 are followed. Preferred stock shall pay cash dividends as determined by the Board from time-to-time, may not be transferred, and may be redeemed only as set forth herein. The par value of preferred stock shall be initially set at \$500 per share.

**Section 2.4 Limitations on Stock Issuance.** Pursuant to the Illinois Co-operative Act at 805 ILCS 310/9, each Member-Owner (or each joint household Member-Owner) is limited to holding no more than ten (10) shares of stock total, of either common stock, preferred stock, or a combination of the two, at any time. Further, the maximum aggregate par value of stock held by each Member-Owner (or each joint household Member-Owner) shall be \$10,000 unless otherwise permitted by law.

**Section 2.5 Appeal Rights Following Denial of Membership.** If the Board has denied membership to any natural person, that person may appeal to the active members of the Co-op at the first regular or special meeting thereafter, and ask that he, she, they, or it be admitted to the Co-op as a member, and the action of the members on the question

of whether to admit such person as a member shall be final pursuant to 805 ILCS 310/23, as amended.

**Section 2.6 Documents to be Provided to New Member-Owners.** When a new Member-Owner is admitted, the Co-op will provide the new Member-Owner with a copy of the current bylaws and any other materials the Board determines to be relevant, including an explanation of patronage dividends and cash dividends as applicable. References in these bylaws to the rights and entitlements of Member-Owners shall be understood to refer only to Member-Owners in good standing.

**Section 2.7 Member-Owner Rights.** Each Member-Owner shall be entitled to:

1. Make purchases from the Co-op on terms available to all owners;
2. Vote in elections of the Co-op's directors and on all issues to be decided by the Co-op's Member-Owners, as the right to vote is personal and is not connected to the ownership of stock in the Co-op; each Member-Owner shall have one and only one vote regardless of how many shares of stock the owner has purchased;
3. Attend meetings of the Board, except for such portions of meetings that the Board determines to close for discussion (but not decision) on matters of a confidential or sensitive nature;
4. Receive notice of and attend Member-Owner meetings;
5. Approve amendments to these bylaws; and
6. Receive reasonably adequate and timely information about the Co-op's operations and finances.

The Board may limit a Member-Owner's access to information to protect confidential or sensitive information. Any Member-Owner's request for information may be accommodated by means other than direct access to the Co-op's records. The rights of Member-Owners shall be personal rights and not property rights.

**Section 2.8 Responsibilities.** Each Member-Owner must fulfill these responsibilities to remain in good standing:

1. Remain current in membership or equity investments due to the Co-op;
2. Inform the Co-op of any changes in name or current address; and
3. Abide by these bylaws and the policies of the Co-op and the Board.

All rights and responsibilities of Member-Owners are subject to the bylaws as they may be amended from time to time, and the policies and decisions of the Co-op and the Board.

**Section 2.9 Inactive Status.** References in these bylaws to the rights and entitlements of Member-Owners shall be understood to refer only to Member-Owners in good standing. An Member-Owner who becomes delinquent under the requirements of these bylaws or the resolutions and policies of the Board shall be placed into inactive status. His, her, their, or its participation rights, including the right to vote, shall then be suspended. A Member-Owner in inactive status may attain good standing upon fulfilling

the duties of ownership, by recommencing current payment of financial obligations and/or reestablishing a patronage relationship with the Co-op as relevant.

**Section 2.10 Voluntary Termination of Ownership.** A Member-Owner may terminate his, her, their, or its ownership voluntarily at any time by written notice to the Co-op. The Member-Owner's right to vote in the affairs of the Co-op will terminate immediately.

**Section 2.11 Involuntary Termination of Ownership.** Any Member-Owner's ownership interests may be terminated involuntarily by the Board for cause if the Board determines that the Member-Owner has:

1. become ineligible for membership or ownership for any reason;
2. intentionally or repeatedly violated any provision of the Articles, these bylaws, or Co-op policies;
3. taken actions that could reasonably be expected to impede this Co-op from accomplishing its purposes;
4. taken or threatened any action that would adversely affect the interests of this Co-op or its owners;
5. willfully obstructed any lawful purpose or activity of this Co-op; or
6. breached any contract with this Co-op.

Ownership may only be terminated after the Member-Owner has been provided fair notice of the reasons for the proposed termination and has had an opportunity to respond in person or in writing.

**Section 2.12 Death of a Member-Owner.** In the case of joint ownership that is shared by two or more adults in a household, upon the death of any of them, the stock will be held only by the survivor, and the Co-op will remove the name of the deceased from its Member-Owner records. The surviving Member-Owner will be entitled to all patronage dividends and / or cash dividends pertaining to the Member-Owner's formerly jointly-owned stock. The estate of the deceased shall remain liable for any debts or liabilities to the Co-op. In the event of the death of a member whose stock was not shared with any other adult, the Co-op shall interpret the notice of the Member-Owner's death as a notice of voluntary termination of membership. The Co-op shall make any cash dividends then due payable to the deceased member's estate.

**Section 2.13 Unclaimed Property.** If any Member-Owner moves and fails to notify the Co-op of his, her, their, or its new address, and if the Co-op cannot contact the Member-Owner using reasonable efforts, then the Co-op has no obligation to pay any patronage dividends and / or cash dividends to that Member-Owner, and any other amount owed to the Member-Owner shall be transferred to the Co-op.

**Section 2.14 Settlement of Disputes.** In any dispute between the Co-op and any of its Member-Owners or former Member-Owners which 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. Neither 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 3**

#### **MEETINGS OF MEMBER-OWNERS**

**Section 3.1 Annual Meeting.** An annual meeting of Member-Owners shall be held within 180 days of the close of each fiscal year to review the operations of the Co-op, to elect directors, and to conduct such other business as may properly come before the meeting.

**Section 3.2 Special Meetings.** Special meetings of Member-Owners may be called by the Board and shall be called by the Secretary as soon as practicable upon receipt of petitions signed by ten 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 Member-Owners shall be determined by the Board or, if the Board fails to so act, by the Secretary. Meetings shall be held at a time and place convenient to Member-Owners within DeWitt County, Illinois.

**Section 3.4 Notice.** Written notice of the time, place, and purpose(s) of any meeting of Member-Owners shall be emailed to each Member-Owner not less than sixty-five (65) days before the date of the meeting. Any Member-Owner may opt instead to be notified of the time, place, and purpose(s) of any meeting of Member-Owners by regular United States mail upon reasonable notice to the Secretary of the Co-op.

**Section 3.5 Record Dates.** Unless otherwise determined by the Board, only persons who are Member-Owners in good standing with a right to vote at the close of business on the tenth (10<sup>th</sup>) day immediately preceding the date of distribution of notices shall be entitled to notice of any meeting of Member-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 three percent (3%) of all Member-Owners entitled to vote shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of Member-Owners.

**Section 3.7 Voting.** Unless otherwise required by these bylaws, each Member-Owner shall have one and only one vote on each matter submitted to a vote of Member-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 Member-Owners other than that specified in the notice of the meeting shall be advisory only. Meetings of Member-Owners shall be conducted generally by 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 owners 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 Co-op 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 Co-op 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 the meeting of owners and shall be equivalent to presence in person by the owner at such meeting.

**Section 3.9 Issues Submitted by Member-Owners.** Notices of a meeting of Member-Owners shall include any proper issues submitted by petition of three percent (3%) of all Member-Owners. Petitions must be received by the Co-op not less than forty-five (45) days before the date of the meeting at which they are to be presented to a vote of Member-Owners.

**Section 3.10 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 4**

### **BOARD OF DIRECTORS**

**Section 4.1 Powers and Duties.** Except as to matters reserved to Member- Owners by law or by these bylaws, the business and affairs of the Co-op 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 Co-op, 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 Co-op are properly carried out.

**Section 4.2 Number and Qualifications.** The Board shall consist of seven individuals. All directors shall be Member-Owners. A person cannot be a director if the person:

1. is currently employed by the Co-op;
2. has been employed by the Co-op within the past 24 months,
3. has ever been dismissed from employment by the Co-op for cause,
4. has any overriding conflict of interest with the Co-op; or
5. is a parent of, sibling of, child of, or resides in the same household with, someone who is disqualified from being a director because of their employment, former employment, or conflict of interest with the Co-op.

**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 twenty-five (25)

Member-Owners and submitted to the Co-op at least seventy-five days before the date of the annual meeting. Directors shall be elected by Member-Owners. At the first annual meeting after adoption of these bylaws and periodically thereafter as may be necessary, directors shall be elected for specific one-, two-, or three-year terms in order to assure that one-third of the terms expire in each year. At other times directors shall be elected for terms of three years. Candidates receiving the highest number of votes shall be given the longest available terms. Directors shall hold office until their successors are elected or until their offices are sooner terminated in accordance with these bylaws.

**Section 4.4 Compensation.** Directors may be reimbursed for reasonable expenses incurred in connection with the performance of authorized business of the Co-op.

**Section 4.5 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 4.6 Conflicts of Interest.** Directors shall be under an affirmative duty 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 concerning the matter and shall then be required to leave the meeting room. A transaction in which a director has an interest shall be prohibited unless the transaction is fair to the Co-op and is approved by no less than a two-thirds majority of all disinterested directors.

**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 Co-op.

**Section 4.8 Termination.** The term of office of a director may be terminated before 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 Co-op or other disqualification; and (iii) for cause by a majority of all directors or by vote at a meeting of Member-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 writing. A director who is absent from three consecutive Board meetings, 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 5**

### **OFFICERS OF THE BOARD**

**Section 5.1 Officers.** At the annual meeting of the Board of Directors, the Board shall elect from its members a President; one or more Vice Presidents; and a Treasurer and a Secretary, or a Secretary-Treasurer. The Board may designate other officers as the

Board deems necessary or helpful. The General Manager is an officer of the Board but is not a director; the General Manager shall serve in a non-voting advisory role to the Board. This provision does not add or subtract from the General Manager's fiduciary duties. The General Manager does not count towards quorum for Board meetings.

**Section 5.2 Officers' Duties.** In addition to signing or attesting to formal documents on behalf of the Co-op as authorized by the Board, officers shall have the following duties:

- The President shall be responsible for ensuring the orderly conduct of all meetings, coordinating the activities of the Board, and maintaining effective communication with the Manager, and shall present a report of operations at the annual meeting of owners.
- The Vice President(s) shall be responsible for performing the duties of the President in his or her absence or disability and assisting the President in the performance of his or her duties.
- The Secretary shall be responsible for recording and keeping minutes of all Board and owner meetings; giving notices when required; and authenticating records of the Co-op.
- The Treasurer shall oversee the maintenance of financial records, issuance of financial reports, and the filing of all required reports and returns, and shall present quarterly financial reports to the Board, and a financial report at the annual meeting of owners.
- The General Manager shall be responsible for administering the day-to-day activities of the Co-op under the direction and control of the Board.

The Board may assign additional duties to any of the officers.

## **Article 6**

### **MEETINGS OF THE BOARD OF DIRECTORS**

**Section 6.1 Annual Meeting.** Within thirty (30) days after each annual Member-Owners meeting, the Directors shall meet to elect officers of the Board and for the transaction of such other business as shall come before the meeting. The annual meeting of the Board shall be held at such time and place as may be fixed by the Board, which shall be within DeWitt County, Illinois.

**Section 6.2 Regular Meetings.** Regular meetings of the Board shall be held from time to time at such time and place as may be fixed by the Board, which shall be within DeWitt County, Illinois.

**Section 6.3 Special Meetings.** Special meetings of the Board may be called by the President and must be called upon request by any three (3) directors. Any special meeting of the Board shall be held at the time and place designated in the notice of the meeting, which shall be within DeWitt County, Illinois.

**Section 6.4 Notice of Meetings.** Notice of each annual, regular, and special meeting of the Board shall be given by the President or Secretary at least five (5) days in advance of the meeting to each director by telephone, email, or in person unless a shorter

period is agreed to. Notices of meetings of the Board shall also be posted on time and in a conspicuous place on the Co-op's website and in the Co-op's store, but an inadvertent failure to post such notice shall not affect the validity of any business transacted at the meeting.

**Section 6.5 Waiver of Notice.** Notice of any meeting of the Board may be waived before, at, or after the meeting, in writing signed by each director. A director, by attending any meeting of the Board, shall be deemed to have waived notice of such meeting, except when a director attends the meeting solely to object to the transaction of business because the meeting was not lawfully convened.

**Section 6.6 Quorum.** The presence in person or via videoconference of a majority of directors then in office shall constitute a quorum for the transaction of business at any meeting of the Board.

**Section 6.7 Decision Making.** Decisions of the Board shall be made by: (i) approval of a majority of the directors present and voting at a duly held meeting, and (ii) shall require a minimum of five (5) directors voting in agreement. A director shall abstain from voting when they have a conflict of interest or may abstain if they feel they should not participate in the vote.

**Section 6.8 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 written consent to the action is signed by all of the directors and filed with the minutes of meetings. The written action is effective when signed by all of the directors unless a different effective time is provided in the written action.

**Section 6.9 Open Meetings.** Meetings of the Board and all committees shall be open to Member-Owners, except that portions of a meeting may be closed for discussion only as to matters of a confidential or sensitive nature.

## **Article 7 CO-OP MEMBER-OWNER EQUITY**

**Section 7.1 Co-op Member-Owner Equity Requirements.** Equity requirements (both shares and memberships) shall be determined by the Board by considering the current or prospective capital needs of the Co-op and shall be paid within the time specified by the Board. Different requirements may be set for individual, household, and organizational memberships, but such requirements shall be uniform among memberships of the same type.

**Section 7.2 Accounting.** Co-op Member-Owner equity payments shall be credited on the records of the Co-op to capital accounts in the names of contributing Member-Owners.

**Section 7.3 Redemption.** Co-op Member-Owner equity payments shall be redeemed within sixty (60) days of approval by the Board following termination of membership and request for redemption unless redemptions have been suspended by action of the Board. Withholding of approval shall only be for good cause, including that such payments would violate loan agreements or other contractual obligations of the Co-op or would jeopardize the solvency of the Co-op. In no event shall redemption proceeds

exceed the total of the Co-op Member-Owner's equity payment(s). Redemption proceeds shall at all times be subject to being offset by amounts otherwise due and payable to the Co-op.

**Section 7.4 Co-op Member-Owner's Payments.** Any organizational Co-op Member-Owner's equity payments, redemption payments, dividends, or rebates shall be made payable only to the named organizational Co-op Member-Owner. Individual or household Co-op Member-Owner's equity payments, redemption payments, dividends, or rebates shall be made payable only to the named representative of membership and not divided among or paid to household members. In the absence of any such notice of designation or the event of the death or prolonged absence of the representative of membership, the Co-op, by a vote of the Board, may designate another person in the household or institution as the representative of membership for such purposes.

**Section 7.5 Sales of Alcoholic Beverages.** If the Board should permit sales of alcohol, any profits that accrue from the sale of alcoholic beverages must be accounted for separately from profits that accrue from other sales and those profits cannot be used to distribute to Co-op Member-Owners or to reduce costs to the Co-op's Member-Owners. All alcohol sales shall be available to the public without discrimination except for duly-enacted state and federal laws prohibiting sales to individuals based on age or other characteristics. Special discounts to Co-op Member-Owners will not apply to the sale of beer and wine, however, any discounts that are available to the general public can apply to Co-op Member-Owners.

## **Article 8**

### **PATRONAGE DIVIDENDS**

[This article will become effective at the beginning of the first day of the first fiscal year on which a point-of-sale system is functioning on that day.]

**Section 8.1 – Distribution obligation.** The realized net earnings of the Co-op attributable to the patronage of owners shall be allocated and distributed among owners in proportion to their patronage and in such a manner and at such a time as to constitute patronage dividends within the meaning of federal income tax law. Unless otherwise required under federal tax law all of the operations of the Co-op shall be netted into a single allocation unit.

**Section 8.2 – 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. A patronage dividend to which owners are entitled may be waived in whole or in part by vote of owners.

**Section 8.3 – Consent of owners.** By obtaining or retaining ownership in the Co-op, 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.** Payment of a portion of patronage dividends not to exceed eighty percent of the allocation may be deferred for the reasonable capital needs of the Co-op, as determined by the Board. Such amounts shall be credited to revolving capital accounts in the names of recipient owners and shall accrue no dividend or other monetary return on capital. Deferred patronage dividends may 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 shall be payable only to owners who are then in good standing or become so within a six-month period of time. Deferred patronage dividends may also be redeemed under compelling circumstances as determined by the Board. They shall be subject to being offset by amounts otherwise due and payable to the Co-op and by assessments resulting from tax audit adjustments.

**Section 8.5 – Net losses.** No portion of a net operating loss realized by the Cooperative shall be allocated to owners. The patronage portion of such losses shall be carried forward to offset patronage-sourced income of subsequent years. The nonpatronage portion of such losses shall be carried back and forward to offset nonpatronage-sourced income of prior and subsequent years as required or permitted under federal income tax law.

## **Article 9 INDEMNIFICATION**

**Section 9.1 Indemnification.** To attract and retain qualified people to serve in positions of responsibility, the Co-op shall indemnify its directors, officers, General Manager, and other responsible agents as would be required by, and may indemnify them as would be permitted by, the Illinois General Not For Profit Corporation Act of 1986, if the Co-op were a not for profit corporation formed under that Act, 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 Co-op to pay its other obligations as they become due.

## **Article 10 MISCELLANEOUS PROVISIONS**

**Section 10.1 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 10 days before the voting process, which shall be held at a time and in a manner determined by the Board.

**Section 10.2 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 10.3 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 10.4 Amendment.** These bylaws may be amended or repealed only at a meeting of Member-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**

Section 8.3 of the Co-op's bylaws relates to when and how patronage dividends are required to be included in the taxable incomes of recipient Member-Owner. Section 1385(b) of the Internal Revenue Code provides that a patronage dividend shall not be included in the taxable income of a recipient to the extent that such amount "is attributable to personal, living, or family items." This exclusion from taxable income would apply to owners whose purchases from the Co-op were for such personal use. To such persons section 8.3 is therefore of no effect. To all other Member-Owners section 8.3 represents their consent to include the amount of their patronage dividend in their taxable incomes for the year in which they receive their patronage dividend notice and check. This consent would apply to Member-Owners who are organizations and others whose purchases from the Co-op were for business or income-producing purposes.