

By-Laws Of Chatham Real Food Market Co-op, Inc.

Article 1

Name

This Corporation shall be known as the Chatham Real Food Market Co-op, Inc. (hereafter “the Corporation,” “the Cooperative,” or “the Co-op”) and is incorporated as a cooperative corporation under the laws of the State of New York. Its principal office shall be in the Village of Chatham, County of Columbia, State of New York. The certificate of incorporation has been accepted and filed by the New York Secretary of State on June 2, 2006.

Article 2

Purpose

The Cooperative is formed as a general cooperative corporation primarily for mutual help, not to be conducted for profit, for the following purpose:

1. to assist its members by performing services connected with the mutual purchasing of supplies and articles of common use, including food products, family or other household and personal supplies to be used or consumed by the members, their families or guests, and the community in which the cooperative is located;
2. to promote local products, the local distribution and consumption of local products, and a localized food economy;
3. to promote and make available organic products;
4. to promote fair trade principles and engage in fair trade practices with an emphasis on sustainability;
5. to provide a workplace that fosters opportunities for participation, empowerment and growth in an environment of mutual respect and cooperation; and
6. to engage in any other lawful act or activity which cooperative corporations may perform under New York State law.

Article 3

Member-Ownership

Section 1. Eligibility. The Corporation shall operate on a cooperative basis. Any person or other legal entity may become a member-owner of this Cooperative by entering in writing an ownership share agreement in a form prescribed by the Co-op Council. Such agreement shall include the purchase of one share of common stock of the

Cooperative at a price to be determined by the Co-op Council to establish membership in this Cooperative, provided that different prices may be established for different types of entities and for different types of member-ownership, and shall also include the agreement of the member-owner to abide by the certificate of incorporation and the by-laws of the Cooperative, including any amendments thereto. The Co-op Council shall have the sole and exclusive authority to accept or reject any request to become a member-owner, without cause, provided such acceptance or rejection is not in violation of any Federal, State or local law.

Section 2. Share Certificate. The Cooperative shall issue a share certificate to each member-owner to evidence membership in and participation in the affairs of this Cooperative. Such shall not be an investment based upon any possibility of appreciation in the value of such share, but shall be acquired by a member of this Cooperative for the purpose of obtaining the benefits of membership in this Cooperative. Such certificate shall be nontransferable except to the Cooperative as provided in these by-laws. Any member-owner whose member-ownership is surrendered or terminated shall, upon the request of the Cooperative, surrender such member-owner's share certificate to the Cooperative. The Cooperative will determine, in its sole discretion, when or if to redeem any such membership share. In the event such member-owner's share certificate is lost, destroyed, misplaced, stolen, or otherwise unavailable for surrender, such member-owner shall execute an affidavit attesting to the facts relating thereto and agreeing to hold the Cooperative harmless from any claim or liability arising therefrom.

Section 3. Consumer Member-Ownership. Member-ownership in the Cooperative shall be open to any consumer individual or consumer organization that supports the purposes of the Cooperative as expressed in the Certificate of Incorporation, these bylaws, and the policies of the Cooperative, provided that worker member-owners shall be ineligible for consumer member-ownership.

Section 4. Worker Member-Ownership. Worker member-ownership shall be open to any individual who patronizes the Cooperative through labor performed for the Co-op on other than a volunteer or independent contractor basis.

Section 5. Patronage Rebate. Each member-owner shall be entitled to a patronage rebate in accordance with the provisions of Article 8 of these by-laws.

Section 6. Consent to Include Allocation in Income. By entering into an ownership share agreement with the Co-op, each member-owner consents to include in his or her taxable income his or her total allocation of patronage rebates or refunds (both cash and retained portions) to the extent required by federal tax laws (see Article 8 of these bylaws).

Section 7. Redemption of Shares. Shares in the Co-op may be redeemable at the purchase price, provided that it shall be within the discretion of the Co-op Council to determine if and when to redeem any such share and when such amount shall be paid to the member-owner seeking to redeem his or her share.

Section 8. Failure to Pay. Any member-owner who shall fail to pay any amount due to the Cooperative within 90 days after the same becomes payable shall cease to be a member-owner, unless such delay in payment is excused by the Co-op Council.

Article 4

Member-Owner Meetings

1. Annual Meeting. There shall be an annual meeting of the member-owners of the Cooperative to be held at a time and place to be determined by the Co-op Council. Notice of the annual meeting shall be provided to member-owners not less than 30 days prior to such meeting in the manner prescribed for notification in section 3 of this Article.

2. Special Meetings. Special meetings of the member-owners may be called at any time by a majority of the Council members then in office. Notice of such meeting stating the purpose for which it is called shall be provided as set forth in section 3 of this Article not less than 15 days before the date set for such meeting. The Co-op Council shall, in like manner, call a special meeting of the member-owners whenever so requested in writing by member-owners representing not less than one-third of the member-owners of the Cooperative. No business other than that specified in the meeting notice shall be transacted at any special meeting of the member-owners.

3. Notification of Member-Owners. Notices and correspondence from the Cooperative to its member-owners about annual and special meetings shall be made in a manner determined by the Co-op Council in its discretion and may include personal delivery, first-class mail, e-mail, or similar means specified by the Co-op Council. Each member-owner shall advise the Cooperative of any change in mailing address and/or e-mail address, as appropriate. Notices sent to a member as specified above shall be deemed effective on the date of mailing of the notice. For any notice required to be given to member-owners, a member-owner may waive the requirement for such notice by executing a written waiver.

4. Quorum. At any meeting of the member-owners, the presence, in person, by proxy, or by mail-in ballot of 15 member-owners entitled to vote shall be necessary to constitute a quorum for the transaction of business, but a lesser number may adjourn to some future time not less than 6 nor more than 20 days later, and the Secretary shall thereupon give at least 3 days notice to each member-owner entitled to vote who was absent from such meeting. If business is to be conducted separately by the consumer member-owners, a quorum shall be 15 consumer member-owners. If business is to be conducted separately by the worker member-owners, a quorum shall be 60% of the worker member-owners.

5. Decision-making. Member-owners shall vote only on the election and removal of Council Members, on other matters required by statute or by these by-laws to be voted on by the member-owners, and on such advisory questions as may be put

before the member-owners by the Council Members or in a notice of special meeting initiated by the member-owners. At all meetings of the membership, all questions, the manner of deciding which is not specifically regulated by statute or by these by-laws, shall be determined by a majority vote of the member-owners present in person or by written proxy. For any member-owner who is not an individual, such member-owner shall designate one individual to cast its vote, upon purchasing a share, and such individual shall remain the designated voter until written notice to the Cooperative received at least 5 business days prior to any meeting of the members of the Cooperative.

Article 5

Cooperative Council

Section 1. Cooperative Council. The affairs and business of the Cooperative shall be managed by a Cooperative Council (also referred to as a “Co-op Council” or “Council”). The Co-op Council shall constitute the Cooperative’s board of directors, and Council members shall constitute the directors, as those terms are used in the Certificate of Incorporation and any laws or other requirements to which the Cooperative is subject.

Section 2. Qualifications of Council Members. Any member-owner of the Cooperative shall be eligible to be a member of the Co-op Council.

Section 3. Number of Council Members. The Co-op Council shall consist of not less than 5 nor more than 9 members. The number of Co-op Council members shall be determined from time to time by resolution of the Co-op Council, provided that the number of Council members may not be decreased in such a way that the term of any incumbent Council member is shortened.

Section 4. Composition of Council. The initial Council members shall be those named in the Certificate of Incorporation, and those initial Council members shall serve until the first annual meeting of the Cooperative. At the first annual meeting of the Cooperative and until such time as the Cooperative has established the criteria for worker member-ownership and has at least 5 worker member-owners, 4 to 6 Council members, the number to be determined by the Co-op Council, shall be elected by a plurality vote of the member-owners voting at the annual meeting, with the Co-op Council to appoint up to 3 additional Council members. Thereafter, the Council shall consist of:

- a. 2 to 3 Council members elected at an annual meeting by plurality vote of the worker member-owners;
- b. 2 to 3 Council members elected at an annual meeting by plurality vote of the consumer member-owners; and
- c. 1 to 3 Council members selected by the other Council members.

The number of Council members in each category shall be determined from time to time by resolution of the Co-op Council.

Section 5. Term of Council Members. Except terms beginning at the initial annual meeting as provided below, the term of each Council member shall be three years and each Council member shall be limited to two consecutive full three-year terms in addition to any partial terms he or she may have been initially chosen to fill, provided that each Council member shall remain in office until his or her successor is elected and qualified, or until he or she dies, resigns, or is removed from office. (Any member of the Co-op Council who has served for two consecutive full three-year terms may again stand for election after the first anniversary of the end of his or her second consecutive full three-year term.) The terms of the Council members selected at the first annual meeting of the Cooperative shall be arranged so that thereafter as nearly as possible one-third of the Council members shall be chosen at each annual meeting of the Cooperative.

Section 6. Resignation of Council Members. Any Council member may resign at any time by giving written notice both to the President and to the Secretary. Such resignation shall become effective not less than sixty days from the date upon which the notice is given. However, the Council, at its discretion, may accept the resignation as effective upon an earlier date stated in such notice.

Section 7. Removal of Council Members. Any member-owner may bring charges against a Council member by filing them in writing with the Secretary, together with a petition requesting removal signed by member-owners comprising not less than five per cent of the number of member-owners who made purchases at the Co-op in the twelve-month period immediately preceding the filing of the petition. The Cooperative may thereupon remove the Council member by the affirmative vote of three-fourths of the member-owners voting thereon at a meeting promptly held after due notice in writing setting forth accurately the purpose for which such meeting is called, provided that at such meeting not less than ten per cent of the number of member-owners who made purchases at the Co-op in the twelve month period immediately preceding the filing of the petition vote, personally or by proxy. The Council member involved shall be given a copy of the charges reasonably in advance of the meeting, and he or she and the complainant shall have an opportunity at the meeting to be heard in person or by counsel and to present and cross-examine witnesses.

Section 8. Vacancies. Any vacancy on the Council arising at any time and from any cause (including because of the authorization of an increase in the total number of Council members) may be filled at any meeting of the Council by decision of the Council members present at the meeting as provided in section 17 of this Article. Each Council member so selected shall hold office for the unexpired portion of the term he or she has been selected to fill.

Section 9. Compensation. No Council member shall receive compensation for service as a Council member, provided that a Council member who serves as an officer or other employee of the Cooperative may receive compensation for such service as an officer or employee. Upon resolution of the Council, Council members may be reimbursed for reasonable expenses incurred in the performance of their duties as Council members.

Section 10. Powers and Duties. The Council shall have the general power to manage and control the affairs and the property of the Cooperative, including the power to employ such individuals as may be recommended for employment by the President. The Council shall have the full power to adopt rules and regulations governing the action of the Council. The Council shall ensure that the Cooperative adheres to the fundamental and basic purposes of the Cooperative, as expressed in the Certificate of Incorporation, as it may from time to time be amended. In addition to the powers expressly conferred by these by-laws, the Council may exercise such powers and do such lawful acts and things as are not by statute, by the Certificate of Incorporation, or by these by-laws required to be exercised by the member-owners.

Section 11. Annual Meetings. There shall be an annual meeting of the Council. The annual meeting shall be held at the principal office of the Cooperative or at such other place as the Council shall designate, and at such time and date as the Council may designate. Notice of the annual meeting shall be given to all Council members in writing five days before such meeting, provided, however, such notice may be waived by Council members.

Section 12. Regular Meetings. Regular meetings of the Council shall be held at such time, date, and place as may be determined by the Council members. Notice of such regular meetings shall be given to all Council members in writing five days before such meeting, provided, however, such notice may be waived by Council members.

Section 13. Special Meetings. Special meetings of the Council may be held upon the call of the President, Secretary, Treasurer or other corporate officer, or by any Council member upon the written demand of not less than one-half (1/2) of the Council members then in office. Such meetings shall be held at such time, date, and place as may be specified in the notice. Notice of special meetings shall be given to all Council members in writing five days before such meeting, provided, however, such notice may be waived by Council members.

Section 14. Participation by Conference Telephone. Any Council member may participate in a meeting of the Council (or a committee thereof) by means of videoconferencing, a conference telephone, or similar communications device which allows all persons participating in the meeting to hear each other at the same time. For the purpose of establishing a quorum, any Council member so communicating at a meeting shall be deemed to be present.

Section 15. Quorum and Adjournments. At all meetings of the Council, one-half (1/2) of the Council members then in office shall constitute a quorum for the transaction of corporate business, provided that for decisions requiring expenditures in excess of fifty thousand dollars \$50,000.00 and for decisions to hire or terminate the services of a manager or co-manager of the Co-op two-thirds 2/3 of the Council members then in office shall constitute a quorum. In the absence of a quorum at any meeting, the Council members present may adjourn and reschedule the meeting, but otherwise may not conduct any business of the Cooperative. Notice of the adjournment and rescheduling shall be given to all Council members who were absent

at the time of the original meeting. If the meeting is not rescheduled during the original meeting, notice of the rescheduled meeting shall be given to all Council members. If at the rescheduled meeting a quorum of the Council members is present, then any business may be transacted which might have been transacted at the meeting as originally called.

Section 16. Organization. The President of the Cooperative shall preside at all meetings of the Council. In the absence of the President, the Vice-President (or the First Vice-President if there be more than one Vice-President) shall preside. In the absence of both the President and such Vice-President, the Council may select a Chairperson from among the Council members and officers present. The Secretary of the Cooperative shall act as Secretary at all meetings of the Council. In the absence of the Secretary, the presiding officer may appoint any person to act as Secretary at the meeting.

Section 17. Decisionmaking. The Cooperative is committed to honoring the opinions of all Council members, in encouraging such discussion as is necessary to ensure that all decisions are reached only after full and fair consideration of all points of view, and to using a consensus approach to decisionmaking to maximize the opportunity for such consideration. The Cooperative also recognizes the need to reach decisions in an efficient manner after a full opportunity for such consideration has been afforded. Accordingly, all decisions of the Council shall be determined by consensus, except as otherwise specified in these by-laws or as determined by the Council, provided that if a majority of the Council members present at a meeting determines that, despite the best efforts of the Council to reach consensus in accordance with the principles set out in this section, consensus cannot be reached, decisions shall be determined by a majority vote. In all votes decided on other than a consensus basis, the vote of each Council member shall be recorded in the minutes.

Section 18. Conflict of Interest. The Cooperative shall enter no contract in which any Council member or officer has a personal interest, unless such contract has been approved by the Council, provided that no Council member shall vote on a contract in which he or she has a personal interest or participate in the formal discussion and consideration of any such contract and the determination whether the contract is approved shall be made as if such Council member were not present, and provided further that the Council may decide to allow such Council member to participate in preliminary discussions regarding such contract. Any Council member who believes that a conflict of interest may exist shall so notify the Council.

Section 19. Committees. The Council may establish or terminate any temporary or standing committee of the Cooperative and may appoint a chairperson and the membership of any such committee. Committee members may be removed from the committee only by a vote of the Council.

Article 6

Officers

Section 1. Officers. The officers of the Cooperative shall be a President, a Secretary, and a Treasurer, and may also include one or more Vice-Presidents and such other officers as the Council may elect.

Section 2. Selection and Term of Office. The officers of the Cooperative shall be elected at the annual meeting of the Council. The President and the Vice-President (or the First Vice-President if there be more than one Vice-President) shall be member-owners of the Cooperative, and shall be elected from among the Council members. Other officers need not be Council members but must be member-owners of the Cooperative. The offices of Secretary and Treasurer may be combined, at the discretion of the Council. Each officer shall continue in office until his or her successor is elected and qualified, or until he or she dies, is removed or resigns.

Section 3. Resignation of Officers. Any officer may resign at any time by giving written notice to either the President or the Secretary, provided that such notice requirements may not be satisfied by notification to oneself. Such resignation shall become effective not less than 30 days from the date upon which the written notice is given. However, the Council, in its discretion, may accept the resignation as effective upon an earlier date determined by the Council.

Section 4. Removal of Officers. Any officer may be removed, with or without cause, by decision of the Council in accordance with section 17 of Article 5 of these bylaws, provided that no Council member shall be counted as part of the quorum or entitled to participate in the final decision on his or her removal from an office.

Section 5. Vacancies. Any vacancy in any office arising at any time and from any cause (including because of the creation of a new office in the Cooperative) may be filled at any meeting of the Council by the Council. Each officer so selected shall hold office for the unexpired portion of the term he or she has been selected to fill.

Section 6. President: Powers and Duties. The President shall preside at all meetings of the Co-op Council. The President shall have general supervision of the business strategy of the Cooperative and shall keep the Council fully informed, and shall freely consult with the Council concerning the activities of the Cooperative. The President shall perform such other duties as shall from time to time be assigned by the Council.

Section 7. Vice-President(s): Powers and Duties. The Vice-President (or the First-Vice President if there be more than one Vice-President) shall perform the functions of the President in the absence of the President and shall have such other powers and duties as may be assigned by the Council. Other Vice-Presidents, if any, shall have such powers and duties as may be assigned to them by the Council.

Section 8. Secretary: Powers and Duties. The Secretary shall act as Secretary of all of the meetings of the Council at which he or she is present, and shall keep the minutes of all such meetings. The Secretary shall be responsible for giving and serving all notices of the Cooperative, and shall perform all the duties incident to the office of Secretary,

subject at all times, however, to the control of the Council. The Secretary shall perform such other duties as shall from time to time be assigned to him or her by the Council.

Section 9. Treasurer: Powers and Duties. The Treasurer shall supervise custody of all funds and securities of the Cooperative. The Treasurer shall keep (or shall cause to be kept) complete and accurate accounts of the receipts and disbursements of the Cooperative, and he or she shall deposit (or shall cause to be deposited) all monies and other valuable effects of the Cooperative in the name of and to the credit of the Cooperative in such banks and depositories as the Council may designate. Whenever required by the Council, the Treasurer shall render a statement of the Cooperative's accounts. Upon reasonable request, the Treasurer shall exhibit the books and accounts of the Cooperative to any officer or Council member of the Cooperative. He or she shall perform all the duties incident to the office of Treasurer, subject at all times, however, to the control of the Council. The Treasurer shall, if required by the Council, give such security for the faithful performance of his or her duties as the Council may require.

Section 10. Compensation. Officers and any other employees of the Cooperative shall receive such reasonable compensation for their services as may be determined by the Council. When an officer or employee is also serving as a Council member, that officer may not vote on matters relating to his or her compensation. For purposes of that vote, the existence of a quorum, consensus, or majority will be determined as if that Council member were absent from the meeting.

Article 7

Board of Advisors

Section 1. Appointment. From time to time, the Council may appoint any number of persons as advisors of the Cooperative to act either singly or as a committee or committees. Each such advisor shall hold office at the pleasure of the Council and shall have only such authority or obligations as the Council may determine.

Section 2. Compensation. No advisor of the Cooperative shall receive, directly or indirectly, any salary or compensation therefrom for any service he or she renders as an advisor to the Cooperative. However, the Council may authorize reimbursement of the expenditures reasonably incurred by an advisor in the course of performing activities for the benefit of the Cooperative.

Article 8

Patronage Rebates

Section 1. Each member-owner shall be entitled to a patronage rebate (also referred to in sources outside the Co-op as a "patronage dividend" or "patronage refund") pursuant to which the Cooperative's net earnings from business done with or for its member-owners will be allocated back to the member-owner in proportion to the value of his or her

business transactions with the Cooperative in comparison to all business transactions between the Cooperative and all of its member-owners, provided, however, that no patronage rebate will be distributed to any individual or organization which is not a member-owner.

Section 2. The percentage of the total amount allocated for patronage rebates to be allocated to consumer member-owners and the percentage to be allocated to worker member-owners shall be determined by the Co-op Council. The amount allocated to each member-owner shall be determined as follows:

- a. For each consumer member-owner, the value of his or her business transactions with the Cooperative will be determined based on the purchases he or she makes from the Cooperative in comparison to the total purchase by all consumer member-owners; and
- b. For each worker member-owner, the value of his or her business transactions with the Cooperative will be determined based on the proportion of the number of hours he or she works for the Cooperative to the total number of hours worked by all worker member-owners.

Section 3. The net earnings of the Cooperative subject to distribution as patronage rebates may be reduced or eliminated as follows:

- a. The Co-op Council may establish reasonable reserves which it deems to be necessary for business purposes, and such reserves shall not be subject to the patronage rebate distribution;
- b. The member-owners may at a duly called and convened meeting waive any patronage rebate to which they may be otherwise entitled in a specified year; or
- c. The Co-op Council may decline to distribute to the member-owners allocations that are too small in relation to the costs of distribution.

Section 4. A portion of the allocation to be made to each member-owner may be retained by the Co-op. Within any requirements imposed by law, the actual percentage of patronage-sourced net earnings to be paid to owner-members shall be determined by the Co-op Council.

Article 9

Finance

Section 1. Funds to finance the Cooperative may be raised from various sources, including, but not limited to, governmental loans and grants, contributions by member-owners and non-member-owners, funds from corporate and individual

sponsors, member-owner share certificate purchases and other fees, and loans from members and institutional lenders. The Council may choose to accept or reject any contribution.

Section 2. The Council may, at its discretion, retire notes of member-owners leaving the Cooperative, although such notes may not yet be due.

Article 10

Contracts, Checks, and Bank Accounts

Section 1. **Checks, Notes, and Contracts.** The Council is authorized to select such banks or depositories as it shall deem to be proper for holding the funds of the Cooperative. The Council shall determine who shall be authorized to sign checks, drafts or other orders for the payment of moneys, to sign acceptances, notes or other evidences of indebtedness, to enter into contracts or to execute and deliver documents and instruments on the Cooperative's behalf.

Section 2. **Investments.** The funds of the Cooperative may be retained in whole or in part in cash or be invested and reinvested from time to time in such property, real, personal and otherwise, or in stocks, bonds or other securities, as the Cooperative may consider desirable.

Section 3. **Bond Required.** The Council may determine that before handling funds or securities of the Cooperative amounting to \$1,000 or more in any one year, the officer or employee handling such funds or securities shall be covered by an adequate bond to be approved by the Council.

Article 11

Office and Books

Section 1. **Office.** The office of the Cooperative shall be located at such place as the Council may from time to time determine.

Section 2. **Books.** There shall be kept at the office of the Cooperative, or at such other place as the Council shall designate, correct books of account of the activities and transactions of the Cooperative, including a minutes book, which shall contain a copy of the Certificate of Incorporation, a copy of these by-laws, and all minutes of the meetings of the Council.

Article 12

Audits and Accounts

Section 1. Accounting. The Cooperative shall install a standard system of accounting and provide other accounting appurtenances that may be necessary to conduct the business in a safe and orderly manner.

Section 2. Audit and Annual Report. Immediately after the close of each fiscal year, a complete audit of the operations of the Cooperative for such year shall be made by an independent auditor in accordance with generally accepted accounting principles. A written report of the audit with total amount of business transacted, balance sheet, income, and expenses shall be submitted to the annual meeting of the Cooperative and shall at all times be available for inspection by any member-owner.

Article 13

Fiscal Year

The fiscal year of the Corporation shall be determined by the Council.

Article 14

Indemnification

The Cooperative shall indemnify its Council members and officers in the manner and to the full extent provided by the Business Corporation Law of the State of New York, and, except as prohibited in that law, the Cooperative may provide additional indemnification pursuant to agreement, action of the Council, or provision of these by-laws.

Article 15

Amendment of By-laws

These by-laws may be amended by an affirmative vote of 2/3 of the member-owners voting thereon at a meeting held after due written notice setting forth the proposed action and the purpose of the meeting. The Council may amend these by-laws at any meeting of the Council in accordance with the decisionmaking provisions of section 17 of Article 5 of these by-laws, but any amendment adopted by the Council shall be reported to the annual meeting of the Cooperative and, if not affirmatively approved thereat, shall cease to be in effect.

Article 16

Miscellaneous Provisions

In the event any provision contained in these by-laws is determined to be

unenforceable or illegal by a court of competent jurisdiction, then the remainder of the by-laws are to be construed as if the unenforceable or illegal provision did not exist.