



## BYLAWS OF CLIFTON COOPERATIVE MARKET

### Article I Organization

Section 1.1 - **Status.** Clifton Cooperative Market (referred to in these bylaws as "the Co-op") is a cooperative association incorporated under the Ohio Cooperative Law.

Section 1.2 - **Purpose.** As more fully stated in its articles of incorporation, the Co-op is organized and shall be operated for the primary and mutual benefit of its owners as patrons of its services. The Co-op shall be operated exclusively on a cooperative and nonprofit basis.

Section 1.3 - **Cooperative principles.** The Co-op shall be operated in accordance with the cooperative principles adopted by the 1995 General Assembly of the International Co-operative Alliance, including: (i) voluntary and open membership; (ii) democratic member control; (iii) member economic participation; (iv) autonomy and independence of the Co-op; (v) providing education, training and information; (vi) cooperation with other cooperatives; and (vii) concern for community.

Section 1.4 - **Nondiscrimination.** The Co-op shall not arbitrarily discriminate on the basis of race, nationality, religion, age, gender, sexual orientation, or political affiliation.

### Article II Ownership

Section 2.1 - **Eligibility and admission.** Ownership in the Co-op shall be voluntary and open to any individual or organization whose purpose is to patronize the Co-op and will accept the responsibilities of ownership. Applicants will be admitted to ownership upon submitting required information and complying with the share purchase requirement. On or before admission to ownership each owner shall be provided a copy of these bylaws. If within six months after the date of application for ownership any doubts arise concerning eligibility, the application shall be subject to approval by the Board.

Section 2.2 - **Share purchase requirement.** Owners shall be required

to purchase or agree to purchase one or more shares at their issuing price as determined by the Board of Directors. The share purchase requirement may be paid in installments by persons in financial need as determined by the Board.

Section 2.3 - **Rights.** Except as otherwise provided in these bylaws, each individual owner and the authorized agent of each organizational owner shall be entitled to participate in the governance of the Co-op as set forth in these bylaws. Each owner shall be entitled to make purchases from the Co-op on terms generally available to owners. Owners shall be provided reasonably adequate and timely information as to the operational and financial affairs of the Co-op. Except as otherwise required by these bylaws, persons who have subscribed for but not fully paid the share purchase requirement shall be considered owners.

Section 2.4 - **Responsibilities.** Each owner shall keep reasonably current in payment of the share purchase requirement, shall make purchases from the Co-op on at least an occasional basis, and shall notify the Co-op of any change to the owner's name or address.

Section 2.5 - **Inactive status.** An owner who becomes delinquent by one month in meeting the share purchase requirement, or who fails to patronize the Co-op for a period of one year, shall be placed into inactive status. The owner's participation rights shall then be suspended. An owner in inactive status may attain good standing upon recommencing payment of financial obligations or reestablishing a patronage relationship with the Co-op. Except as otherwise provided herein, references in these bylaws to the rights and entitlements of owners shall be understood to refer to owners in good standing.

Section 2.6 - **Access to specific information.** An owner shall, upon written request that states a proper purpose, be provided specific information concerning the operational and financial affairs of the Co-op. The Board may deny a request if the purpose is not proper because it is not directly related to the person's interest as an owner and is contrary to the best interests of the Co-op. To protect the privacy of owners any proper request necessitating information from the Co-op's records of owners shall whenever possible be accommodated by means other than direct access to such records.

Section 2.7 - **Settlement of disputes.** In any dispute between the Co-op and any of its owners or former owners which cannot be resolved through informal negotiation, 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.

Section 2.8 - **Limited transferability.** Following termination of ownership, or at any time as to shares held in excess of the minimum amount, the Co-op will upon request of the owner transfer the carrying value of shares, net of any authorized offsets, to the credit of another person designated by the requesting owner, provided that the transfer is for a price that does not exceed the carrying value of the shares and that the person so designated is or becomes an owner of the Co-op. Ownership rights and interests may not otherwise be sold, assigned, or transferred. Any attempted transfer contrary to this section shall be wholly void and shall confer no rights on the intended transferee.

Section 2.9 - **Withdrawal and termination.** An owner may withdraw from ownership status at any time upon notice to the Co-op. Ownership status may be terminated whenever the best interests of the Co-op would thereby be served as determined by the Board, provided that the affected owner is accorded fair notice of the proposed action and an opportunity to respond in person or in writing. Upon termination of ownership all rights and interests in the Co-op shall cease except for rights to redemption of capital pursuant to Articles VII and VIII of these bylaws.

### Article III Meetings of Owners

Section 3.1 - **Annual meeting.** An annual meeting of owners shall be held within ninety days after the close of each fiscal year to receive reports on operations and finances, to elect directors, and to conduct such other business as may properly come before the meeting.

Section 3.2 - **Special meetings.** Special meetings of owners may be called by the Board and shall be called by the President as soon as practicable after the receipt of petitions signed by not less than twenty percent of all owners, such petitions stating any proper issue to be brought before the meeting.

Section 3.3 - **Time and place.** The date, time and place of all meetings of owners shall be determined by the Board or, in the event that the Board fails to so act, by the Secretary. Meetings shall be held at a place convenient to owners.

Section 3.4 - **Notice.** Written notice of the time, place, and purpose or purposes of the meeting shall be sent to each owner not less than fifteen nor more than sixty days before the date of the meeting. Notice may be sent by electronic means to the extent that electronic confirmation of delivery is received. Any business conducted at a meeting other than that specified in the notice of the meeting shall be of an advisory nature only.

Section 3.5 - **Record dates.** Unless otherwise determined by the Board, only persons who are owners at the close of business on the day immediately preceding the date of distribution of notices shall be entitled to

notice and to vote with respect to the subject of such notice.

Section 3.6 - **Quorum.** The presence in person or by ballot at the opening of the meeting of thirty-five owners or ten percent of all owners, whichever is lesser, shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of owners.

Section 3.7 - **Voting.** Each owner shall have one and only one vote on each matter submitted to a vote of owners irrespective of the number of shares owned or subscribed for. Voting by proxy shall not be permitted. 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. Meetings of owners shall be conducted generally in accordance with reasonable and accepted rules of parliamentary procedure.

Section 3.8 - **Voting by written ballot.** Owners may, as authorized by the Board, vote by written ballot delivered to the Co-op. Ballots, together with the exact text of an issue for decision shall be included in the notice of the meeting to which they relate. Ballots shall be submitted in a manner that reasonably secures the privacy of owners and the integrity of the voting process. In the case of balloting in connection with a meeting of owners, casting of a written ballot shall be equivalent to presence in person at a meeting with respect to the subject of the written ballot, and ballots shall be counted together with votes cast at the meeting, if any. In the case of balloting separate from a meeting, voting by ballot shall for all purposes be considered a meeting of owners.

Section 3.9 - **Issues submitted by owners.** Notices of a meeting of owners shall include any proper issue submitted by petition of not less than ten percent of all owners. Petitions must be received by the Co-op not less than seventy-five days before the date of the meeting at which they are to be presented to a vote of owners.

#### Article IV Board of Directors

Section 4.1 - **Powers and duties.** Except as to matters reserved to owners by law or by these bylaws, all of the authority of the Co-op shall be exercised by or under the direction of the Board of Directors (sometimes referred to in these bylaws as "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 govern operational decisions, engaging a general manager and monitoring and evaluating his or her performance, securing good conditions of employment, 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 not less than seven nor more than eleven directors as determined by the

Board, including not more than one worker. To be qualified as a director a person shall, except as to the first election of directors, have been an owner or the authorized agent of an organizational owner for at least six months prior to the commencement of the election of directors, and shall not have a personal agenda that diverges from the best interests of the Co-op, or a general antagonism against the Co-op, or an overriding conflict of interest with the Co-op, as determined by the Board. The general manager shall not be eligible to serve as a director.

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 owners and submitted to the Co-op at least seventy-five days before the date of the annual meeting. Workers who are owners may nominate one or more individuals among their number for the director position for workers. Directors shall be elected by owners. At or in connection with the first annual meeting after adoption of these bylaws and periodically thereafter as may be necessary, directors shall be elected for specific one or two year terms in order to assure that approximately half of the terms expire in each year. At other times directors shall be elected for terms of two years. 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 compensated only as approved at a meeting of owners. 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.** All directors shall be responsible at all times for discharging their duties in good faith, in a manner that they reasonably believe to be in or not opposed to 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 apparent conflicts of interest, either direct or indirect, in any matter under consideration by the Board or by a committee exercising any authority of the Board, and such interest shall be made a matter of record in the minutes of the meeting. A director or member of a committee having such an interest shall be permitted to make a brief statement with regard to the matter and shall then remove himself or herself from the room in which discussion or decision of the matter is being conducted.

Section 4.7 - **Indemnification.** The Co-op may indemnify its directors and officers as permitted by state law. 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. Any indemnification payments or advances shall be reported to

owners not later than the next-scheduled meeting of owners.

Section 4.8 - **Committees.** The principal officers, or such further or other directors as designated by the Board, shall constitute an Executive Committee to act for the Board on uncontroversial matters when it is impractical to assemble the whole Board. The Board may appoint special or standing committees to advise the Board or to exercise such limited 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 4.9 - **Termination.** The term of office of any director may be terminated prior to its expiration voluntarily by a director upon notice to the Secretary and automatically upon termination of ownership in the Co-op. The term of office of a director elected by owners may be terminated prior to its expiration by owners or by the Board under procedures set forth in Ohio law. The term of office of a director appointed by the Board may be terminated prior to its expiration by the Board whenever the best interests of the Co-op would thereby be served. The Board may declare vacant the office of any director whenever it reasonably determines that the director did not meet the qualifications for the office. Any director who is absent from two consecutive Board meetings or three meetings in a one-year period shall, unless excused by the Board for good cause, be presumed to have resigned.

Section 4.10 - **Vacancies.** Any vacancy among directors occurring between annual meetings may be filled by the Board until the next annual meeting of owners, at which time owners shall elect a director to fill the unexpired term.

## Article V Meetings of the Board

Section 5.1 - **Convening.** Meetings of the Board, including meetings conducted by electronic means whereby all participants can hear each other at the same time, shall be held no less frequently than once in each two-month period. Meetings not called by the Board may be called by the President and shall be called by the Secretary upon request of any three directors.

Section 5.2 - **Notice.** Meetings called by the Board shall require no notice, it being the responsibility of absent directors to inquire as to the time of further scheduled meetings. Other meetings shall require written or oral notice to all directors. Written notice shall be delivered at least five days before the date of the meeting and oral notices shall be given in person or by a telecommunications device at least forty-eight hours days before the time of the meeting. Notices of meetings of the Board shall also be posted in a timely manner and in a conspicuous place in the Co-op's store, but the inadvertent failure to do so shall not affect the validity of the meeting.

Section 5.3 - **Waiver of notice.** Any notice of a meeting required under these bylaws may be waived in writing at any time before or after the meeting for which notice is required. A person who attends a meeting other than for the sole purpose of objecting to the adequacy of the notice shall be deemed to have waived any objection to the notice.

Section 5.4 - **Quorum and voting.** The presence in person of a majority of directors shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board. Decisions at meetings of the Board shall be made by majority voting unless a higher percentage is required by law or by these bylaws.

Section 5.5 - **Referendum.** Any action of potentially significant consequence taken by the Board shall be referred to a meeting of owners for approval or disapproval if demanded within ten days of such action by any three directors. Such meeting shall be called by the Secretary as soon as practicable.

Section 5.6 - **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 a written consent to the action is signed by all directors and filed with the minutes of meetings.

Section 5.7 - **Open meetings.** Meetings of the Board and all committees shall be open to owners, except that sessions of a meeting may be closed as to matters of a confidential or sensitive nature.

## Article VI Officers

Section 6.1 - **Designation and qualifications.** The principal officers of the Co-op shall consist of President, Secretary and Treasurer. Principal officers shall be directors. The Board may designate other officers or assistant officers.

Section 6.2 - **Election, terms and removal.** Officers shall be elected by the Board at its first meeting following the annual meeting of owners. Officers shall serve for terms of one year or until election of their successors. Officers may be removed and replaced by the Board at any time whenever the best interests of the Co-op would thereby be served.

Section 6.3 - **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 and such additional duties as are determined by the Board:

(a) The President shall be responsible for coordinating the activities of the Board, assuring the orderly conduct of all meetings, maintaining effective

communication with the general manager, and shall present a report of operations at the annual meeting of owners.

(b) The Secretary shall be responsible for the recording and keeping of adequate minutes of all meetings of the Board and of owners, overseeing the issuance of notices required under these bylaws, and authenticating records of the Co-op.

(c) The Treasurer shall be responsible for monitoring the maintenance of financial records, the compilation of financial reports, and the filing of required reports and returns, and shall present a financial report at the annual meeting of owners.

## Article VII Shares

Section 7.1 - **Issuance and terms.** The Co-op shall issue shares to evidence capital funds provided by owners. Shares may be issued only to persons eligible for, and admitted to ownership in, the Co-op. The issuing price shall not be less than the par value per share of one hundred dollars. Shares shall be considered issued upon full payment and need not be evidenced by certificates. Shares shall be entitled to no dividend or other monetary return on capital. The Co-op shall have a continued perfected security interest in the minimum required shares. The minimum share purchase requirement shall be subject to increase for the reasonable capital needs of the Co-op, provided that such increase applies equally to both existing and newly-admitted owners.

Section 7.2 - **Redemption.** Upon request following termination of ownership, or at any time with respect to shares held in excess of the minimum amount, shares shall be redeemed when replacement capital is provided by other owners. Shares shall be redeemable at the lesser of their carrying value on the books of the Co-op or their net book value less a reasonable processing fee, if any, as determined by the Board. Redemption proceeds shall be subject to offset by amounts due and payable to the Co-op by the owner. No redemption shall be made when such payment would impair the ability of the Co-op to meet its other obligations as they become due. Reapplications for ownership after full or partial redemption shall be subject to full repayment of redemption proceeds.

## Article VIII Patronage dividends

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. 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. 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 - **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 8.3 - **Deferred amounts.** Payment of a portion of patronage dividends not to exceed eighty percent of the allocation may be deferred for the 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. 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 8.4 - **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 IX Fiscal and Miscellaneous matters

Section 9.1 - **Fiscal year.** The fiscal year of the Co-op shall begin on the first day of April in each year and end on the last day of March of the succeeding year.

Section 9.2 - **Forfeiture of interests.** Any unclaimed share redemption or patronage allocation as to which the owner cannot be found after a period of three years shall be forfeited and become the property of the Co-op after the Co-op provides notice of such unclaimed interests to the owner's last-known address and no acknowledgment is received within thirty days.

Section 9.3 - **Loans prohibited.** The Co-op shall not make any loan to a director, officer, or owner.

#### Article X Interpretation and Amendment of Bylaws

Section 10.1 - **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 10.2 - **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 10.3 - **Amendment**. These bylaws may be amended or repealed only at a meeting of 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 8.2 of the Co-op's bylaws relates to when and how patronage dividends are required to be included in the taxable incomes of recipient owners. 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 to the extent that their purchases from the Co-op were for such personal use. To such persons section 8.2 is therefore of no effect. Section 8.2 is, however, effective to the extent that the purchases of owners were for business or income-producing purposes. In such cases, section 8.2 represents their consent to include the appropriate amount of their patronage dividend in their taxable incomes for the year in which they receive their patronage dividend notice and check.