

# People's Food Co-operative of Kalamazoo

## Bylaws

Updated: April 2015

### ARTICLE I — Name and Organization

1.1 Name. The name of this cooperative shall be the People's Food Co-operative of Kalamazoo, a.k.a. People's Food Co-op . In these Bylaws, People's Food Cooperative of Kalamazoo shall be referred to as "PFC" or as the "Co-op".

1.2 Organization. People's Food Co-op of Kalamazoo is a Michigan nonprofit corporation that is a consumer cooperative. It is organized on a non-stock, membership basis.

### ARTICLE II — Purpose and Mission

2.2 Purpose. The purpose of the Co-op shall be to operate a retail cooperative for natural food and related products. This shall be consistent with the Articles of Incorporation.

2.3 Mission. People's Food Co-op of Kalamazoo is a consumer cooperative providing natural products while promoting nutritional awareness and environmental responsibility.

### ARTICLE III — Membership

3.1 Qualifications. Membership shall be open to all patrons of PFC who are consumers and who meet the requirements for admission to and retention of membership as are adopted, from time to time, by the Board of Directors. Membership shall be open without regard to race, color, sex, religion, national origin, sexual orientation, or disability. No member shall own more than one membership.

Prior to accepting a person as a member or any member capital, PFC shall advise the person in writing of those items required by Section 1138 of the Michigan Nonprofit Corporation Act. Each person accepted as a member shall be provided a Membership Certificate setting forth the initial member capital of the member, and the following information:

- a. a statement that the Co-op is a cooperative subject to Chapter 11 of the Michigan Nonprofit Corporation Act and that it has been organized as a nonprofit corporation under such Act.
- b. a statement on the restrictions on the transfer of the membership.
- c. a statement of the rights to redemption of the member capital paid by the member.

3.2 Member Capital. Membership is optional. Membership is contingent upon the payment by a prospective member of member capital. The Board of Directors shall establish the amount of member capital to be paid by a prospective member. The Board may also, from time to time, increase the amount of member capital to be paid by members. Any increase in member capital shall be binding on both new members and

existing members. If the Board increases the amount of member capital to be paid, all existing members shall pay this increase in member capital in order to remain as a member.

The Board of Directors shall establish the terms of payment for any member capital to be paid by new members and any additional capital to be paid by existing members due to an increase in member capital. The Board of Directors may allow member capital, including any increase in member capital payable by existing members, to be paid in more than one installment. If payment will be made in multiple installments, the Board of Directors may require that the member sign a written agreement and/or promissory note whereby he/she agrees to pay the member capital to PFC on the terms established by the Board. A member shall be "in good standing" and shall enjoy all rights of membership so long as the member is current in his/her payment of all installments of member capital. If a member fails to fully pay any installment of member capital when due pursuant to the terms established by the Board of Directors, and the amount due is not paid in full within thirty (30) days after written notice is sent to the member advising him/her of the nonpayment, then such member's rights and benefits of membership shall be suspended until the member pays all amounts due and is current in the payment of such member's member capital. If a member's membership is suspended for one year, then such member's membership shall be terminated and the member capital paid by such member shall be subject to redemption pursuant to Section 3.5 below.

3.3 Rights. Members have all the rights of members in a consumer cooperative, as stated in the Michigan Nonprofit Corporation Act and also all rights granted by these Bylaws, including the right to elect PFC's Board of Directors, to recall Directors, to petition for referenda, to attend meetings of the Board of Directors, to receive notice of membership meetings, to approve amendments to these Bylaws, to serve on committees, and to exercise such other rights of membership as may be established by the Board of Directors or by vote of members.

3.4 Responsibilities. The responsibilities of membership shall be those set forth in the Michigan Nonprofit Corporation Act, those established by the Board of Directors, and those adopted by vote of members.

3.5 Termination of Membership. A person's membership shall be terminated by death, resignation, by decision by the Board of Directors to terminate such person's membership for material violations or breaches by the person of PFC's rules or policies, or failure of the member to pay the member capital due from such member, as provided in Section 3.2 above.

Upon termination of a person's membership, PFC shall redeem the terminated member's member capital by paying to the member an amount equal to the amount such member originally paid as member capital plus any additional member capital paid pursuant to Section 3.2. The amount of member capital shown on the books of the Co-op shall be the conclusive and binding on the member and Co-op as to the amount that has been paid by such member. A person entitled to payment for the redemption of his/her member capital shall be given reasonable notice of the redemption, which notice may be by mail to the last known address of the person. If the person fails to respond to the

notice and claim the payment within five (5) years from the date of the notice, that person shall have no further rights in the member capital and the member capital shall remain the property of PFC.

Payment for the redemption of member capital shall be paid to those persons who timely respond to the notice of redemption. Payment may be made in cash and/or in property (including merchandise and food sold by the Co-op, which shall be valued at its regular retail price). The Board of Directors shall determine the method, terms and form of payment. Any cash payments shall be paid within five (5) years from the date of the person's termination of membership; payments in merchandise and food sold by the Co-op shall be in the form of a credit that the member can use at the Co-op within five (5) years from the date of the person's termination of membership. Cash payments may be made in multiple installments and the Board of Directors shall determine when the installments are due and the amount of each installment; the Board may change the terms, amount and date of payment after payment has commenced, provided that it notifies the person of the changes, and provided that the entire amount is paid in full within five (5) years from the date of such person's termination as a member. No interest shall be paid by PFC on the unpaid portion of any member capital.

PFC shall not redeem any member capital or any portion thereof under either of the following conditions: (a) if PFC is insolvent or if the redemption would render PFC insolvent; and (b) unless after the redemption there remains outstanding one (1) or more classes of members possessing among them, collectively, voting rights.

3.6 Non-Transferability. A member's membership and the member capital paid by a member is not transferable.

3.7 Determination, Allocation and Distribution of Net Savings. At least once each year, the Co-op shall determine its net savings. Net savings shall be calculated by such person(s) as is/are selected by the Board of Directors, with the calculation being made as described in Section 1135 of the Michigan Nonprofit Corporation Act.

After net savings have been calculated, the net savings shall be allocated and distributed to all patrons of the Co-op pursuant to any reasonable method adopted by the Board of Directors, from time to time. If the Board fails to adopt such a method, then the allocation and distribution shall be according to Section 1135(3) of the Michigan Nonprofit Corporation Act. Net savings may be paid by the Co-op in cash and/or credit that can be used to purchase merchandise and food at the Co-op.

If a member owes the Co-op for the payment of member capital, the Co-op may apply the net savings payable to such member toward the payment of the member capital payable by such member.

3.8 Losses. In the event the PFC suffers a loss, such loss shall not be apportioned to the members. No member will be personally responsible or liable for paying any losses suffered by the Co-op. However if the Co-op suffers a loss, no allocations of net savings will be made pursuant to Section 3.7 of these Bylaws, until such time as all accrued losses have been eliminated.

#### ARTICLE IV — Meetings of Members

4.1 Annual Meeting. The annual meeting of the Members of the Co-op shall be held on a date, time and place determined by PFC's Board of Directors; however, the Board shall use its best efforts to schedule a meeting for a time, date and place that will be convenient for the Members and allow attendance at the meeting by a large number of Members. At the meeting, the Members shall receive the Annual Report and may consider before the meeting pursuant to Section 4.6.

4.2 Notice. PFC shall give each member written notice of Annual or Special Meetings of members, either personally or mailed to their last known address at least ten (10) and no more than sixty (60) days before the meeting. Such notice may also be given by being prominently displayed and included in a regular Co-op periodical that is published at least semi-annually and mailed to members not less than ten (10) nor more than sixty (60) days before the date of the meeting. Notices shall also be posted in the storefront no less than ten (10) days before the meeting

4.3 Quorum. At any Annual or Special Meeting a quorum of members shall exist if the number of members who attend the meeting in person and are eligible to vote, when added to the number of members who voted prior to the meeting by mail ballot and electronic transmission, is ten percent (10%) of the membership or fifty (50) members, whichever is smaller. If a quorum is not present, business may be discussed but no official action may be taken.

4.4 Special Meetings. Special Meetings may be called by a petition signed by seven percent (7%) of the membership, or by the Board. The purpose of such meetings shall be clearly stated in the petition and in the notice of meeting, and no other business may be considered. Petitions for Special Meetings shall be presented to the Board, who shall certify them and arrange a timely meeting date.

4.5 Voting. Votes at Annual or Special Meetings may be cast by members in advance of the meeting by mail ballot or electronic transmission, or may be cast in person at the meeting, and not by proxy; however, voting for Directors shall be conducted pursuant to Section 5.5. Each member shall be entitled to one vote on each matter submitted to a vote of members. Unless otherwise provided by law or in these Bylaws, questions presented at meetings shall be decided by the affirmative vote of a simple majority of those voting.

Voting by electronic transmission shall only be used if approved by the Board of Directors and only those method(s) of electronic voting approved by the Board shall be used. The notice of the meeting shall include a mail ballot and instruction on how to vote by electronic transmission (if this method of voting has been approved by the Board). A ballot that is cast by mail or by electronic transmission is valid and will be counted only if it is received prior to a date and time established by the Board of Directors, but if no date and time is established, then 24 hours before the start of the meeting. If a member has voted prior to the meeting, such member will not be allowed to vote at the meeting, but may attend the meeting and speak on issues subject to a vote.

4.6 Agenda Items at Annual Meetings. Meeting agendas for Annual Meetings shall be set by the Board of Directors. The Board shall post notices inviting members to submit agenda items in the store at least twenty-one (21) days before the final agenda is compiled. The final agenda must include items submitted by members under section 4.7.

Proposals not on the meeting agenda shall not be considered for voting, except by unanimous consent of those present at the meeting. Lacking such consent, questions may be raised for discussion only by agreement of two-thirds (2/3) of those present and voting.

4.7 Referenda. Questions of policy or operations may be referred to a membership referendum by the Board of Directors, or by a petition signed by seven percent (7%) of the membership. The Board of Directors shall supervise such referenda and shall insure that questions are fairly presented, with adequate space given to opposing viewpoints. Referenda may be either by mail ballot or by in-store balloting, provided that if in-store balloting is used, balloting must be carried on for a least twenty-one (21) days. A simple majority may be sufficient to decide questions presented in referenda, provided that at least twenty percent (20%) of the members cast ballots. If the minimum number of votes is not obtained within three (3) weeks, a second mailing must be made to the membership, extending the time for casting the ballots by twenty-one (21) days. If the minimum number is not obtained after twenty-one (21) days, the Board of Directors shall have the power to decide the question presented in the referendum, and shall count the ballots and treat them as an advisory vote.

4.8 Matters Subject to Special Voting Requirements. Amendment of the Articles of Incorporation, amendment of these Bylaws to alter member voting rights or member capital, merger, consolidation, or disposition of all or substantially all of the assets of the Co-op shall be adopted by the affirmative vote of a majority of the votes cast by members eligible to vote thereon. Such action may only be taken at a meeting called pursuant to written notice that complies with Section 4.2 above.

If an action is taken on any matter described in the preceding paragraph, the matter which has been approved shall not take effect for 60 days from the date of adoption and shall be subject to one (1) confirmation vote as described herein if the action is adopted by less than a majority of all members eligible to vote.

If a petition of fifteen percent (15%) or more of the members eligible to vote is presented to the Co-op prior to the sixtieth day after the adoption of the action, the Co-op shall cause a confirmation vote to be held. The Co-op shall cause a special meeting or, if authorized, a mail ballot or referendum to be conducted within 45 days of receipt of the petition. The confirmation vote must achieve the vote which would have been required for original adoption. If confirmed, the action or amendment may take effect immediately after the confirmation or upon filing with the administrator, if such filing is required.

#### ARTICLE V — Board of Directors

5.1 Size and Eligibility. The Board of Directors shall consist of seven (7) to nine (9) members who shall be elected by the members, or appointed by the Board under Section 5.9. Any member may serve on the Board of Directors.

5.2 Terms. Directors shall serve for three (3) years or until their successors are elected, whichever is longer.

5.3 Staggered Terms. One-third (1/3) of the Board shall be elected each year.

5.4 Nominations and Elections. Elections will be supervised by a committee appointed by the Board of Directors. Candidates may be nominated by this committee or by a member submitting their own Statement of Candidacy to the Board of Directors prior to a deadline to be set by the Board of Directors. The Co-op shall invite members to submit a Statement of Candidacy by posting notices in the store for at least twenty-one (21) days before the deadline set by the Board of Directors.

5.5 Voting for Directors. If Directors are to be elected at any meeting of the members, then the notice of the meeting shall be sent to the members at least 21 days before the date of the meeting using the methods listed in Section 4.2 above. A member may vote in person at the meeting or prior to the meeting by mail or electronic transmission (if approved by the Board). Votes by mail and electronic transmission must be received prior to the date and time set forth in Section 4.5 in order to be valid and counted. The notice of the meeting shall be accompanied by:

- (i) submitted Statements of Candidacy from the director candidates, and
- (ii) a mail ballot and instructions on how the member can vote by electronic transmission (if this method of voting has been approved). Voting shall be subject to the general voting requirements of Section 5.8. Election results shall be announced at the meeting where the election is held.

5.6 Quorum. No election of Directors shall be valid unless ten percent (10%) or more of the members return ballots.

5.7 Composition. There may be no more than one (1) Director who is a paid staff member as defined by Section 9.1.

5.8 Method of Voting. Members of the Co-op will vote for all candidates on an at-large basis, with each member casting up to the same number of votes as there are openings on the Board of Directors. A member shall only cast one vote for each candidate. The winners will be those receiving the highest number of votes. Except that if Section 5.7 would be violated, the person receiving the second highest number of votes among staff candidates shall not be elected, and the person receiving the next highest number of votes who would not violate Section 5.7 shall be elected.

5.9 Vacancies. A vacancy caused by death, resignation or recall shall be filled by appointment of a member by the remaining members of the Board of Directors.

5.10 Recall. Directors may be recalled by a two-thirds (2/3) vote of the membership in a mail ballot election, provided that at least ten percent (10%) of the members cast ballots. A recall election may be initiated by a two-thirds (2/3) vote of the Board of Directors or by a petition signed by the smaller of five percent (5%) of the membership or fifty members.

5.11 Meetings. Regular meetings of the Board of Directors shall be held at least ten (10) times annually. It shall not be necessary to serve Directors with a written notice of regular meetings. Special meetings may be called by the President or by one-third (1/3) of the Directors. Notice shall be given to Directors for all special meetings at least three days in advance of such meeting and shall state the time and place of the meeting. The notice may be given by phone or in person. Attendance at a meeting constitutes waiver of such notice.

5.12 Quorum. The Board of Directors shall conduct no business unless a majority of the Directors then in office is present.

5.13 Decision-Making. Questions presented may be decided by a majority vote of the Directors present. Except as provided in these Bylaws, meetings will be run in accordance with procedures set forth by the Board.

5.14 Attendance. Any Director with three (3) unexcused absences will be considered to have tendered his/her resignation from the Board, and his/her position will be declared vacant by the Board of Directors. Absences may only be excused by an affirmative vote of the Board at the meeting at which the absence occurs or at the following meeting.

5.15 Open Meetings. Meetings of the Board of Directors, except Executive Sessions, shall be open to all members, who may observe and who may participate according to Board of Director's policy. The Board may call an Executive Session by a two-thirds (2/3) vote of the Directors who are present when personnel matters, real estate negotiations, litigation, and other financial transactions are to be considered.

5.16 Publicity for Meetings. The time, place and agenda for all Board Meetings shall be publicized to members by posting notices in the store and by such other methods as may be practical. A summary of each meeting will be posted in the store.

#### ARTICLE VI — Powers and Responsibilities of the Board

6.1 Responsibilities. The Board of Directors is responsible for establishing policy for operations of the PFC. In accordance with these policies, the general manager and staff are expected to carry out all tasks to insure that the store is operated in an efficient, sensible and prudent manner to benefit PFC. When establishing all policies the board shall make all rules and regulations not inconsistent with law, these Bylaws or recognized cooperative principles. The Board may establish the amount of member capital, which is required to be paid as a condition of admission to membership. The Board is responsible for carrying out provisions of these Bylaws.

#### ARTICLE VII — Committees

7.1 Committees. The Board may establish such committees as it deems necessary, both standing and temporary.

7.2 Membership. Membership on committees shall be open to any member. At least one Director shall serve on each Standing Committee.

7.3 Internal Organization. Committees shall adopt their own forms of internal organization and decision making.

#### ARTICLE VIII — Officers

8.1 Election. At its first regularly scheduled meeting after each Board election, the Board shall elect from its number a president, vice-president, secretary and treasurer. Contested elections shall be by secret ballot. Officers shall serve for one (1) year or until their successors are elected. Officers may be reelected.

8.2 Removal. Officers may be removed by a two-thirds (2/3) vote of the Board.

8.3 President. The President shall be responsible for calling meetings of the Board, for securing a chairperson/facilitator for each meeting, and for establishing the agenda for meetings. The President shall sign all documents for the Co-op at the direction of the Board or the membership.

8.4 Vice-President. The Vice-President shall, in the absence or incapacity of the President, serve and act in the President's place.

8.5 Secretary. The Secretary shall see that minutes of Board meetings are taken, shall supervise custody of all corporate documents, and shall countersign documents as required.

8.6 Treasurer. The Treasurer shall have responsibility for all financial reports of the Co-op and shall supervise their preparation and accuracy. The Treasurer will report at least annually to the membership on the financial status of the Co-op and will countersign all documents in the absence or incapacity of the Secretary.

8.7 Power of Delegation. The Board may, from time to time, hire or appoint other officers, employees, representatives and agents as it deems necessary and may grant them appropriate duties and powers.

#### ARTICLE IX — Staff

9.1 Employees. The Board of Directors shall hire a General Manager to delegate the hiring of employees as necessary to manage the affairs of the Co-op. The Board of Directors may hire an employee to perform a particular task. The General Manager shall set the wages and terms of employment for all employees and is responsible for deciding whether employees meet the requirements of employment.

9.2 Staff/Corporate Relationship. The Board of Directors will review and support the General Manger's decisions to insure that they benefit the whole co-op.

#### ARTICLE X — Operations

10.1 Fiscal Year. The fiscal year of the Co-op shall be set by the Board of Directors.

10.2 Audits. The Board shall obtain an audit (internal or external) of the Co-op's books at the end of each fiscal year, and shall present the audited statements to the members at the Annual Meeting. The Board may require such other audits as it may, from time to time, determine as necessary.

10.3 Budgets. The General Manager shall adopt an Annual Budget for the entire Co-op. No budget may be adopted until it has been made available to members for review for at least fourteen (14) days.

10.4 Savings. Any savings on operations may be held as retained earnings for reserves or investment.

10.5 Investment. Cash reserves shall be kept in low-risk interest-bearing accounts or mutual funds, in credit unions, banks, and savings and loan associations. PFC

may also invest in or make loans to other Co-ops with or without interest, provided that each such investment or loan is specifically approved by the Board of Directors.

10.6 Borrowing. The Co-op may borrow money and mortgage, pledge or otherwise grant interest in property owned by the Co-op at the discretion of the Board of Directors. Each such borrowing, other than borrowing from members under Board-approved programs, must be specifically approved by the Board of Directors.

10.7 Accounts. The President and Treasurer shall jointly have the power to open bank and credit union accounts for the organization and to appoint signers. The Board shall be informed of each such account that is opened at its subsequent meeting.

10.8 Books. The Co-op shall keep a set of books for recording its operations. A written report, including a statement of the amount of its transactions with members and the amount of its transactions with nonmember patrons, a balance sheet, and an income statement shall be prepared annually.

10.9 Report of Condition. The Co-op shall prepare, not later than 120 days after the close of its fiscal year, a report of its condition, which report shall be certified by the president. The report shall include all of the following:

- a. The name and principal address of the Co-op.
- b. The name, addresses, and date of expiration of terms of the officers and directors, and their rate of compensation, if any.
- c. The number of memberships granted and terminated and the amount of member capital paid in during the fiscal year.

10.10 Distribution of Reports. A copy of the reports described in Sections 10.8 and 10.9 above shall be presented at the annual membership meeting or distributed to each member. Copies of the reports shall be kept on file at the principal office of the Co-op and shall be made available to members, subscribers and applicants for membership during regular business hours. In addition, copies of a report shall be mailed to a member upon written request by the member.

10.11 Member Mailing. If a member mailing list is not accessible to members, then any mailing reasonably related to the affairs of membership shall be made by the Co-op at the request and expense of a member.

10.12 Notification by Other Members. If a member makes a timely request in writing that the Co-op notify the membership of the member's desire to be contacted by other members regarding a proposal then pending for a vote by the membership, the Co-op shall include in the next communication sent by the Co-op to all members, if any, a brief notice of that member's request which shall identify the member and shall state whether the member is for or against the proposal and how to contact that member.

#### ARTICLE XI — Dissolution

11.1 Vote Required. PFC may only be dissolved by the affirmative vote of two-thirds of the votes cast by members eligible to vote thereon in person, by mail, or by electronic transmission, provided that no such vote will be effective unless twenty percent (20%) of the active members vote in the referendum.

11.2 Distribution of Assets. Upon dissolution, the Directors shall pay or provide for the payment of all debts and expenses of the Co-op. Any remaining assets shall be distributed in the following manner and order:

- a. By redeeming member capital by paying to the member in cash or other property (i) the lesser of the member's member capital or the member's pro rata share of total member capital of the Co-op determined according to the ration each member's member capital bears to total member capital, unless a different proration is provided in the Articles of Incorporation; or (ii) such other amount as may be provided in the Articles of Incorporation or these Bylaws.
- b. By distributing any surplus to (i) any other cooperative, foreign cooperative or nonprofit organization designated by a resolution of the members. For a distribution pursuant to subsection (i), the Board may recommend one or more Kalamazoo-area cooperatives and/or nonprofit organizations for the Members to consider in their resolution.

#### ARTICLE XII — Amendments

12.1 Initiation of Amendments. Amendments to these Bylaws or to the Articles of Incorporation may be proposed by the Board of Directors or by petition of seven percent (7%) of the membership.

12.2 Voting on Amendments. Voting on Amendments. Amendments to the Articles of Incorporation and Bylaws that are proposed pursuant to Section 12.1 above shall be submitted for approval at a meeting of the members. The meeting shall be called by a written notice that complies with Section 4.2 above. The notice of the meeting shall include: (i) a copy of the proposed amendment and how it will change the current Articles of Incorporation or Bylaws, and (ii) a mail ballot and instruction on how to vote by electronic transmission (if this method of voting has been approved by the Board). Voting shall be subject to the general voting requirements of Section 4.5, above.

12.3 Special Rules for Approval of Amendments. Amendments must be approved by the affirmative vote of a majority of the votes cast by members eligible to vote thereon; provided that no such vote shall be effective unless ten percent (10%) of the members cast ballots. Any amendment to the Articles of Incorporation and any amendment to these Bylaws which alters member voting rights or member capital shall be subject to the special provisions of Section 4.8 above.

#### ARTICLE XIII — Indemnification

13.1 Indemnification. PFC shall indemnify, as fully as possible under Michigan law, any person who is made or threatened to be made a party to any threatened, pending or completed proceeding, whether civil, criminal, administrative or investigative, and whether formal or informal, because such person acted as a director or officer of PFC or because such person served at the request of PFC as a director or officer of any other enterprise, against expenses, attorney fees, judgments, fines, penalties and amounts paid in settlement which that person actually and reasonably incurs in such matter or its appeal. These indemnification rights are not exclusive of any other rights, which such person may have. No repeal or amendment of this Article XIII shall adversely affect any person's right to indemnification with respect to acts or omissions occurring before the repeal or modification.

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