

**BYLAWS  
OF  
TERRE FOODS COOPERATIVE MARKET, INC.**

**ARTICLE I -- NAME**

Section 1.1 Name. The name of this Cooperative shall be Terre Foods Cooperative Market, Inc., hereinafter referred to as "Co-op."

**ARTICLE II – PURPOSE**

Section 2.1 Purposes and Mission. The mission of the Terre Foods Co-op is to provide the Terre Haute community access to organic and natural foods and products at fair value. Priority will be given to locally grown foods and handmade products. As a member-owned and member-run market, we are committed to serving the needs of the community while using ethical and sustainable business practices. We want to encourage the development of a local food system in cooperation with small farmers and businesses in order to sustain and invigorate our regional economy. The Co-op shall at all times be operated on a cooperative basis for the mutual benefit of its members.

**ARTICLE III -- MEMBERSHIP**

Section 3.1 Admission as Members. Membership in the Co-op shall be voluntary and open to any individual who is at least eighteen years of age, or jointly to adult members of a household, who are in accord with its purposes and wish to further its activities and who are willing to accept the responsibilities of membership. Applicants will be admitted to membership upon submitting required information and purchasing or subscribing to purchase a capital certificate. In case of doubtful eligibility, admission to membership shall be subject to approval by the Board. The Co-op shall not discriminate on the basis of race, creed, age, gender, handicap, sexual preference, marital status or other arbitrary basis. Each new member shall have access to these by-laws and an explanation of the consent provision in Section 10.4.

Section 3.2 Membership Classes. There shall be one class of members, and all members shall have the same rights and responsibilities.

Section 3.3 Inactive Status. A member who becomes delinquent by ninety days in meeting his or her capital certificate subscription agreement or a member who cannot be reached at the address shown in the records of the Coop shall be placed into inactive status. A member in inactive status may attain good standing only upon making full payment of all past-due amounts or notifying the Co-op of his or her current address and, in the case of delinquency, by paying a reinstatement fee, if any, as determined by the Board of Directors. References in these by-laws to the rights and entitlements of members shall be understood to refer only to members in good standing.

Section 3.4 Termination of Membership. Membership may be terminated voluntarily by a member upon notice to the Co-op. Membership may be terminated for cause by the Board but only upon not less than fifteen days prior written notice of the proposed termination and the reasons therefore and an opportunity for the member to be heard orally or in writing not less than five days before the effective date of the termination. Upon termination of membership all rights and interests in the Co-op shall cease except for rights to redemption of capital funds pursuant to sections 9.4 and 10.6 below.

Section 3.5 Settlement of Disputes between Co-op and Members. In any dispute between the Co-op and a member or former member that involves normal membership transactions and that cannot be resolved through informal negotiation, it shall be the policy of the Co-op to use mediation whereby an impartial mediator may facilitate negotiations between the parties and assist them in developing a mutually acceptable settlement. No party with a grievance against the other shall have recourse to litigation until the matter is submitted to mediation and attempted to be resolved in good faith.

Section 3.6 No Address. Whenever the Co-op determines that it does not have a current address for the member or patron who was previously allocated equity of the Co-op, or whenever a member or patron fails to maintain a current address at the Co-op, then, in that case and before the allocated equity is payable to anyone, the equity will be deemed to be contributed to the Co-op's unallocated surplus and in the case of a dissolution of the Co-op, the total surplus remaining, including these contributed amounts, if any, will be distributed to the members and patrons as determined by the Board and in accordance with the Articles and Bylaws of the Co-op. The contribution shall be considered a dormancy charge. The Board may determine to reverse the contribution and reinstate the allocated equity in the Board's sole discretion when the member or patron demonstrates that the patron was the owner of the allocated equity.

#### **ARTICLE IV -- MEMBERSHIP MEETINGS**

Section 4.1 Annual Member Meeting. The Board of Directors will organize an annual meeting of members within four months of the end of each fiscal year. The directors shall present a state of the Co-op report including annual financial information, and the meeting shall encompass such other business as may properly come before it.

Section 4.2 Special Member Meetings. Special meetings of the members may be called by the President, by the Board of Directors or by written petition signed by not less than one-tenth of members.

Section 4.3. Time and Place of Member Meeting. The date, time and place of all meetings of members 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 time and place generally convenient to members.

Section 4.4 Notice of Member Meetings. Written notice of the time, place, and purposes of each meeting of members shall be mailed or emailed to each member not less than ten days nor more than sixty days before the date of the meeting.

Section 4.5 Record Dates for Member Meetings. Unless otherwise determined by the Board, only persons who are members at the close of business on the business day immediately preceding the date of distribution of notices shall be entitled to notice of a membership meeting. Unless otherwise determined by the Board, only persons who were members for thirty days before the date of the meeting shall be eligible to vote at a meeting.

Section 4.6 Quorum at Member Meetings. Except as otherwise stated in these by-laws as to particular circumstances, the presence of ten percent of members entitled to vote at any meeting shall constitute a quorum. Unless one-third of all members are present at a membership meeting, the only matters that may be voted upon are those described in the meeting notice.

Section 4.7 Proxies. No proxies are allowed for membership meetings.

Section 4.8 Membership List. After the record date for notices of a meeting, the Co-op shall prepare an alphabetical list of members and update it periodically to account for additional members, if

any, who were not entitled to notice but are entitled to vote at the meeting. Such list shall be available for inspection by any member at the principal office of the Co-op only for the purpose of communicating with other members concerning the meeting, and shall also be available for inspection by any member at the membership meeting.

Section 4.9 Organization of Member Meetings. The President and in his or her absence, the Vice President, and in their absence any member chosen by the members present, shall call meetings of the members to order and shall act as facilitator of such meetings, and the Secretary of the Co-op shall act as Secretary of all meetings of the members. In the absence of the Secretary, the presiding officer may appoint a member to act as secretary of the meeting.

Section 4.10 Voting. Each member shall have one vote upon any matter submitted to a vote of the members. If a membership is held by a household or business entity, one person shall be designated as the voting member.

Section 4.11 Action at Member Meetings. Except as otherwise provided by law, the affirmative vote of a majority of members entitled to vote and present, shall be required to adopt any motion or resolution of the meeting, provided a quorum be present. Any such action shall be binding on the Board unless a change is approved at a subsequent meeting of the members, duly noticed and called for that purpose.

Section 4.12 Issues Submitted by Members. Notices of a meeting of members shall include any proper issues submitted by petition of the lesser of fifty members or five percent of all members. Petitions must be received at the Co-op not less than forty-five days before the date of the meeting at which they are to be presented to a vote of members.

Section 4.13 Voting by Mail and/or Electronic Ballots. The Board may authorize voting by mail and/or electronic ballot in conjunction with, or in lieu of, a meeting of members. In such event, the notice of the meeting shall include a copy of the issue to be voted upon, together with a ballot and notification of the date by which ballots must be returned, and in the case of a mail ballot, a voting envelope. If mail and/or electronic ballots are used in conjunction with a meeting of members, votes cast by mail or electronic ballot shall be counted together with votes cast in person at the meeting. If mail and/or electronic ballots are used in lieu of a meeting of members, a quorum shall consist of the number of ballots returned. A vote cast by mail or electronic ballot shall be equivalent to presence in person by the member at a meeting of members. The Board is authorized to establish policies and procedures to authenticate ballots in order to assure that only members cast votes.

## **ARTICLE V -- BOARD OF DIRECTORS**

Section 5.1 General Powers of Board of Directors. The business and affairs of the Co-op shall be managed under the direction of the Board of Directors (sometimes referred to in these by-laws as "the Board.")

Section 5.2 Number of Directors and Vacancies. The Board shall consist of seven directors elected by the members. All directors shall be members and shall not have any overriding conflict of interest. Each membership entitles holder to one director seat, regardless of size of member-owner household. Any director who wishes to resign his or her office may do so, giving the Board thirty days prior notice whenever possible. If a director, without good cause, misses more than two consecutive Board meetings, the Board may remove such director from office. Vacancies may be filled until the next annual meeting through a vote of the majority of the remaining directors. If no action to fill an existing

vacancy is taken by the Board for more than two consecutive Board meetings, then a Special Meeting may be called to fill such a vacancy.

Section 5.3 Meetings of the Board of Directors. The Board shall meet on a scheduled basis, not less than one time a quarter. A simple majority of the total number of directors shall constitute a quorum. The affirmative vote of a number of directors equal to a majority of the total number of directors shall be necessary to adopt any Board proposal. Times and locations of Board meetings shall be posted in the principal office of the Co-op. Other meetings of the Board may be held upon the call of the President, or of two or more directors, at any place within Vigo County, upon forty-eight hours notice, specifying the time and place of the meeting, given to each director, either personally, by mailing or by electronic communication. Any notice of a Board meeting may be waived in writing at any time before or after the meeting for which notice is required. The attendance of any person at a meeting shall constitute a waiver of notice of the meeting except where the person attends for the express purpose of objecting to the transaction of business because the meeting is not lawfully convened.

Section 5.4 Open Meetings. All meetings of the Board shall be open to all members of the Co-op and all guests of the Board. The Board may meet in executive session, to conduct business concerning legal, financial or personnel matters of a sensitive nature, or other similar situation, which executive sessions shall be called by the Board, and which shall be open only to directors and such other persons as the Board may expressly allow.

Section 5.5 Organization of the Board Meetings. The President and, in his or her absence, the Vice President, and in his or her absence, any director chosen by the directors present, shall call meetings of the Board to order, and shall act as facilitator of such meetings.

Section 5.6 Election of Directors. Election of directors shall be yearly. Four directors shall be elected in even numbered years and three directors shall be elected in odd numbered years. All additional vacancies will also be open for election. Should there be more seats available than stipulated for the odd/even year, those receiving the most votes shall receive two year terms while the additional seats shall be for one year. In the event of ties, the out-going Board must resolve term ambiguities prior to its term dissolution. Voting shall be by ballot. Each member shall receive a postage paid or electronic ballot with a candidate slate, directions on number of candidates to vote for, and the time period for returning ballots.

Section 5.7 Quorum at Board Meetings. A majority of the entire Board of Directors shall constitute a quorum. However, when filling vacancies occurring in the Board of Directors, a majority of the existing directors shall constitute a quorum.

Section 5.8 Action Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if prior to such action a written consent to such action is signed by all directors, or all members of such committee as the case may be, and such written consent is filed with the minutes of proceedings of the Board or committee.

Section 5.9 Board's Participation in Meetings by Electronic Communications. Any or all directors may participate in a meeting of the Board of Directors by, or through the use of, any means of communication by which all directors participating may simultaneously hear each other during the meeting. Participation by this means shall be deemed to constitute presence in person at such meeting.

Section 5.10 Board's Power to Appoint Executive Committee. The Board of Directors shall have power to appoint by resolution an executive committee composed of two or more directors who, to the

extent provided in such resolution, shall have and exercise the authority of the Board of Directors in the management of the business of the Co-op between meetings of the Board.

Section 5.11 Board's Appointment of Committees. The Board shall establish such committees as it believes advisable. These committees may include, but are not limited to, the following: Planning & Finance; Membership and Nominations; and Education. The president shall appoint the Chairperson of each committee. All committees shall be under the control, direction and supervision of the Board.

Section 5.12 Loans to Directors. No loan of money or property or any advance of services to be performed in the future shall be made to any officer or director of the Co-op as officer or director of the Co-op.

Section 5.13 Authorization of Contracts. The Board of Directors may authorize any officer or officers, agent or agents of the Co-op in addition to the officers so authorized by these By-Laws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Co-op and such authority may be general or confined to specific instances.

Section 5.14 Board Compliance Policy. Each director shall fully comply with the Board of Director's policy manual or bylaws until a policy manual is in effect, established by the Board. The Board, not including a director thought to be in violation of the manual, may remove a director who is disqualified by the policies in that manual. The remaining directors may also fill any vacancy caused by such removal until the next annual meeting of the members. This removal power shall be in addition to the power of the members to remove directors, but the process for removal, if any, under this Section 5.14 shall be governed exclusively by the policy manual.

## **ARTICLE VI – OFFICERS**

Section 6.1 Officers. The Board of Directors shall elect or appoint the officers of the Co-op. The officers of the Co-op shall be a President, one or more Vice-presidents, a Secretary, a Treasurer, and such other officers as may be deemed desirable by the Board of Directors. Any two or more offices may be held by the same person, except that the same person shall not serve as both President and Secretary. Election or appointment of an officer shall not of itself create contract rights.

Section 6.2 Election of Officers. The officers of the Co-op shall be elected annually from among and by the Board of Directors at the first meeting of the new Board of Directors. Each officer shall hold office for one year or until his successor has been duly elected and qualified, unless earlier removed by the Board of Directors. All officers can be removed at any time by the Board of Directors. Officers shall be eligible for reelection.

Section 6.3 President. The President shall coordinate the activities of the Board, preside over meetings of the Board and members, sign formal documents on behalf of the Co-op and, as appropriate, represent the Co-op in its dealings with outsiders.

Section 6.4 Vice-President. The Vice-president shall perform the duties specified in Section 6.3 in the absence or disability of the President. In addition, he shall perform duties and assignments which may from time to time be delegated by the President or the Board.

Section 6.5 Treasurer. The Treasurer shall oversee the maintenance of financial records, the reporting of financial information and the filing of required reports and returns.

Section 6.6 Secretary. The Secretary shall prepare minutes or assign a designated person to take minutes of all meetings of the Board and members, supervise the issuance of notices required under these by-laws, and authenticate records of the Co-op.

Section 6.7 Filling Officers' Vacancies. Whenever any vacancies shall occur in any office by death, resignation, increase in the number of offices of the Co-op, or otherwise, the same shall be filled by the Board, and the officer so elected shall hold office until his or her successor is chosen and qualified. The President may, in his or her sole discretion, appoint a person to fill a vacancy in the office of either the Secretary or the Treasurer for the interim period of such vacancy prior to it being filled by action of the Board or by Special Meeting as provided herein.

Section 6.8 Parliamentarian. The Board may appoint a Parliamentarian to monitor adherence to the rules of meeting process adopted by the Board, and to monitor compliance with the Articles of Incorporation and the Bylaws.

Section 6.9 Board's Delegation of Officers' Duties. For any reason deemed sufficient by the Board of Directors, whether occasioned by absence or otherwise, the Board may delegate all or any of the powers and duties of any officer to any other officer or director, but no officer or director shall execute, acknowledge or verify any instrument in more than one capacity.

## **ARTICLE VII -- BOOKS AND RECORDS**

Section 7.1 Records and Inspection Rights. The Co-op shall maintain such books, records and lists as is required by law. Members shall be provided access to such records, or to information contained in such records, or to an adequate alternative to such access, at a reasonable time and for a proper purpose, under rules and procedures set forth by law.

## **ARTICLE VIII -- FISCAL YEAR**

Section 8.1 Fiscal Year. The fiscal year of the Co-op shall begin on the first day of October in each year and end on the last day of September of the same year.

## **ARTICLE IX -- CAPITAL STOCK**

Section 9.1 Issuance and Terms of Capital Certificates. To evidence capital funds provided by members, the Co-op shall issue common stock upon full payment of its purchase price. The purchase price of common stock shall be set by reference to the current and prospective capital needs of the Co-op. Common stock shall be entitled to no dividends or other monetary return on investment, shall be nontransferable, and may not be pledged or hypothecated.

Section 9.2 Common Stock Certificates. Common stock certificates shall be signed personally or by facsimile by the President and the Secretary and shall be numbered and registered by the Co-op. The Co-op may issue a replacement certificate for any certificate alleged to have been lost, stolen or destroyed without requiring the giving of a bond or other security against related losses.

Section 9.3 Accounting for Proceeds. Amounts received for common stock shall be credited on the books of the Co-op to capital accounts in the names of contributing members. The Co-op shall segregate proceeds of common stock in a separate bank account that may be used only for acquiring capital assets, paying liabilities incurred for such purpose, or for purposes specific to the creation and functioning of the Co-op.

Section 9.4 Redemption of Common Stock. Upon written request following termination of membership, the common stock of such person shall be redeemed as soon as replacement capital has been secured by the Co-op from other members. Common stock shall be redeemed at its carrying value on the books of the Co-op or its net book value, whichever is lesser. In the case of voluntary termination of membership, a reasonable processing fee may be imposed, as determined by the Board. No redemptions shall be made unless, after the redemption, the Co-op would be able to pay its debts as they become due in the usual course of its activities, and the Co-op's total assets would at least equal the sum of its liabilities. Reapplications for membership shall be subject to full repayment of redemption proceeds and a reasonable reprocessing fee, if any, as determined by the Board. Redemption proceeds shall at all times be subject to offset by amounts otherwise due and payable to the Co-op.

## **ARTICLE X: PATRONAGE REBATES**

Section 10.1 Patronage Rebate Allocations to Members. The Co-op is “for profit” and it shall allocate and disburse to members its adjusted net savings from business done with them in the manner set forth in this Article. Members shall retain the right to waive in whole or in part, by action at a meeting of members, any patronage rebates to which they may be entitled. Patronage rebates may be allocated as book credits, allocated equities, or any other evidence of allocation allowed by law.

Section 10.2 Basis of Allocation. Amounts distributed to members as patronage rebates shall be based upon the net savings of the Co-op from business done with members, reduced only by amounts which are not allowable under federal tax laws and by such reasonable reserves for necessary business purposes as may be determined by the Board. In determining and allocating such adjusted net savings, the Co-op shall use a single allocation unit except to the extent that it shall, subsequent to the adoption of these by-laws, engage in any new and distinct line of business. Such adjusted net savings shall be allocated to each member in the proportion which his or her patronage bears to the total of all member patronage during the fiscal year. All members shall be considered patrons of the Co-op to the extent of their purchases of goods and services measured in terms of its dollar amount.

Section 10.3 Distribution and Notice. Patronage rebates shall be evidenced by written notices of allocation delivered to recipient members within eight months and fifteen days following the close of the fiscal year. All notices, except those subject to Section 10.7 hereof, shall be accompanied by checks in an amount determined by the Board which must be at least twenty percent of the total allocation. Any allocations of such a nominal amount as not to justify the expenses of distribution may, as determined by the Board, be excluded from distribution provided that they are not then or later distributed to other members.

Section 10.4 Consent of Members. By obtaining or retaining membership in the Co-op, each member shall thereby consent, to the extent necessary as required by federal and state law, 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 10.5 Revolving Capital Accounts. Patronage rebates not currently distributed by check shall be credited or charged to revolving capital accounts in the names of recipient members. Revolving capital accounts shall accrue no dividend or interest, and shall be assignable only to the Co-op.

Section 10.6 Allocation of Net Loss. In the event the Co-op shall incur a net loss in any fiscal year, such loss may be charged against retained savings or other unallocated equity accounts. If the net loss exceeds such amounts, or in any event if the Board so determines, the amount of such loss may either be carried forward to offset adjusted net savings of subsequent fiscal years or allocated to members in the

same manner as for adjusted net savings except that such allocation shall not exceed the total of invested capital. Any such allocated net loss shall be charged first against retained patronage rebates of prior fiscal years and then against patronage rebate allocations of subsequent fiscal years. Allocated net losses which are not so offset may be charged against the carrying value of capital certificates only upon termination of membership. Allocated net losses shall not otherwise be assessed to or collected from members.

Section 10.7 Redemption of Revolving Capital. Revolving capital that is no longer needed for capital purposes of the Co-op may be redeemed in such amounts and at such times as may be determined by the Board of Directors. At that time they shall be redeemed only in the order of the oldest outstanding amounts and only on a ratable basis among such amounts for each fiscal year, except that redemptions may be made payable only to members who are then in good standing or become so within a stated period of time. Revolving capital accounts may otherwise be redeemed only upon compelling circumstances as determined by the Board. Revolving capital accounts shall be redeemed at their carrying value on the books of the Co-op or their net book value, whichever is lesser.

Section 10.8 Limitation. No patronage rebate shall be disbursed and no revolving capital account shall be redeemed unless, after the disbursement or redemption, the Co-op would be able to pay its debts as they become due in the usual course of its activities, and the Co-op's total assets would at least equal the sum of its liabilities.

## **ARTICLE XI -- INDEMNIFICATION**

Section 11.1 Indemnification of Directors. The Co-op shall, subject to the limitations in this Article, indemnify its current and former directors and officers against all liabilities and expenses to which they may actually and reasonably become subject by reason of their positions with the Co-op or their service in its behalf to the fullest extent permitted by law.

Section 11.2 Limitations on Indemnification. No indemnification shall be made unless the person to be indemnified is successful on the merits in defense of the action or is determined to have met the applicable standard of conduct in the manner required by law. Indemnification payments and advances of expenses shall be made only in such increments and at such times as will not jeopardize the ability of the Co-op to pay its other obligations as they become due.

## **ARTICLE XII -- DISSOLUTION**

Section 12.1 Dissolution of the Co-op. Upon dissolution of the Co-op, its assets shall be distributed in the following manner and order: (i) by paying or making provision for payment of all liabilities and expenses of liquidation; (ii) by redeeming any revolving capital accounts which, if they cannot be paid in full, shall be paid in the order of the oldest outstanding amounts; (iii) by redeeming capital certificates which, if they cannot be paid in full, shall be paid on a pro rata basis among all outstanding amounts; and (iv) by distributing any remaining assets, unless otherwise determined by the membership of the Co-op, to one or more organizations affiliated the cooperative movement.

## **ARTICLE XIII-- INTERPRETATION AND AMENDMENT OF BY-LAWS**

Section 13.1 Severability. In the event that any provision of these by-laws 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 by-laws.



Section 13.2 Amendment by the Board. The Board of Directors shall have the power to make and alter any by-law or by-laws, including the fixing and altering of the number of Directors. The text of the proposed amendments shall have been sent to all directors with the call for the meeting at least ten days in advance of such meeting. All amendments made by the Board shall be submitted to the members by mail as described in section 4.12 but not later than with the notice of the next scheduled meeting of members. If the amendments are not approved, the Board shall be required to reinstate the portion of the by-laws affected by such disapproval to the form in which it was prior to such action by the Board, without prejudice to the ability of the Board to make other amendments on the same subject or to the same portion of the by-laws at a later time.

Section 13.3 Amendment by Members. These bylaws may be amended or repealed at a meeting of members, provided that the proposed amendments are stated in the notice of the meeting at which the amendments are to be adopted.

## **Appendix**

### **EXPLANATION OF PATRONAGE REBATE CONSENT PROVISION**

The Internal Revenue Code generally requires each person receiving a patronage rebate to include the amount of such distribution in his or her gross income in the taxable year in which it is received. Under by-law Section 10.4, mere acceptance or retention of membership in the Co-op constitutes consent to such inclusion in taxable income, including the portion of the patronage rebate that is retained by the Co-op for its capital needs.

The Co-op has been advised by legal counsel, however, that the general rule for inclusion in income of patronage rebates is subject to an exception that is applicable to consumer cooperatives. Under that exception, a patronage rebate is not required to be included in gross income if the member's purchases related to "personal, living or family items." The patronage rebate would be taxable to a member only if his or her purchases were for business or income producing purposes.