

BYLAWS
OF
SUGAR BEET FOOD STORE COOPERTIVE
(Updated April 30, 2016)

Article I
Name and Organization

- 1.1 NAME. The name of this cooperative shall be The Sugar Beet Food Store Cooperative (“The Co-op” or “the Co-op”).
- 1.2 OFFICE. The principal office of The Co-op shall be 812 W. Madison Street, Oak Park, IL 60302.
- 1.3 FISCAL YEAR. The fiscal year of The Co-op shall commence on the first day of January.

Article II
Purpose

- 2.1 PURPOSE. The purpose of The Co-op is to furnish groceries and other consumer goods and services to its members and other patrons. The Co-op shall conduct its operations exclusively on a cooperative basis.
- 2.2 COOPERATIVE PRINCIPLES. The Co-op shall be operated in accordance with the co-operative principles adopted by the 1995 General Assembly of the International Cooperative Alliance, such principles being:
1. Voluntary and Open Membership
 2. Democratic Member Control, One Member = One Vote
 3. Member Economic Participation
 4. Autonomy and Independence
 5. Education, Training, and Information
 6. Co-operation among Co-operatives
 7. Concern for Community

Article III
Membership

- 3.1 QUALIFICATIONS. Membership shall be open to all without regard to race, color, sex, religion, national origin, sexual orientation, or disability. One Membership (also referred to within these Bylaws as “member”, “members or “membership”) shall be equal to one household, which may be as small as one individual.
- 3.2 RIGHTS. Members have the right to elect The Co-op's Board of Directors, to remove Directors, to petition for referenda, to attend meetings of the Board of Directors, to receive notice of membership meetings, to approve amendments to these by-laws, to serve on committees, and to exercise such other rights of members as may be established by the Board of Directors. Rights of members shall be personal rights and not property rights. The Board of Directors has the right to modify membership structure and cost and also has the right to provide membership at reduced costs at its discretion.
- 3.3 ACCESS TO INFORMATION. All reasonable requests for information from members shall be honored in a timely manner.
- 3.5 SETTLEMENT OF DISPUTES. In any dispute between The Co-op and any of its members or former members which cannot be resolved through informal negotiation, it shall be the policy of The Coop 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. All disputes shall be settled within the State of Illinois.

3.6 TERMINATION. Membership may be terminated voluntarily by a member at any time upon notice to The Co-op. Membership may be terminated involuntarily by the Board for knowingly, intentionally, or repeatedly violating these bylaws after the member is provided fair notice of the charges and an opportunity to respond in person or in writing. Upon termination of membership, all rights and interests in The Co-op shall cease.

3.7 NON-TRANSFERABILITY. Memberships shall not be transferred.

Article IV Meetings of Members

4.1 ANNUAL MEETING. The Co-op shall hold an Annual Meeting of Members no later than one hundred and twenty (120) days after the close of each fiscal year. At the meeting, the members shall receive the Annual Report, elect the Board of Directors, and consider other business as may be properly brought before it.

4.2 NOTICE. The Co-op shall give each member written notice of Annual or Special Meetings by at least ten (10) and no more than sixty (60) days before the meeting. Such notice shall be given by email and will be prominently displayed on the website and in the store.

4.3 QUORUM. Quorum at any Annual or Special Meeting shall be ten percent (10%) of the membership or twenty-five (25) members, whichever is smaller.

4.4 SPECIAL MEETINGS. Special Meetings may be called by a petition signed by twenty-five (25%) of the membership. 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 of Directors, who shall certify them and arrange a timely meeting date.

4.5 VOTING. 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 members shall be conducted generally in accordance with reasonable and accepted rules of parliamentary procedure. The Board shall institute policies and procedures to reasonably assure the integrity of the voting process. Votes at Annual or Special Meetings may be cast only by members and not by proxy. Each member shall be entitled to one vote on each matter submitted to a vote of members. Questions presented at meetings shall be decided by a simple majority of those present and voting.

4.6 AGENDA ITEMS AT ANNUAL MEETINGS. The Board of Directors shall create the agenda for annual meetings. The Board shall post notices inviting members to submit agenda items in the stores 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 but not for voting 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 twenty-five percent (25%) 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 balloting must be carried on for at least twenty-one (21) days. A simple majority may be sufficient to decide questions presented in referenda, provided that at least twenty-five percent (25%) of the members cast ballots. If the minimum number of votes is not obtained within three (3) weeks, the time for casting ballots will be extended 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.

Article V
Board of Directors

5.1 SIZE AND ELIGIBILITY. The Board of Directors shall consist of up to fourteen (14) members who shall be elected by the members, or appointed by the Board. 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. The term of each Director's Seat will be designated as an "A" (i.e., terms expiring every three years beginning with 2016), a "B" (i.e., terms expiring every three years beginning with 2017) or a "C" (i.e., terms expiring every three years beginning with 2018) term. A Director elected to fill a vacated seat will have the same designation as the Director he or she replaces. At the time a new Board seat is created, The Board will designate such seat as A, B or C to maintain the balance of the staggered terms.

5.3 NOMINATIONS AND ELECTIONS. The nominations process and annual elections will be supervised by a committee, or committees, appointed by the Board of Directors. Directors may be nominated by the Board or by petitions signed by at least twenty-five (25) members and submitted to the Co-op at least twenty-one (21) days before the date of the Annual Meeting. Directors shall be elected at the Annual Meeting. If no quorum is present at the Annual Meeting, Directors shall be elected at the next regular meeting. Candidates receiving the highest number of votes shall be given the longest available terms. Directors shall hold office until their successors are elected or until their offices are sooner terminated in accordance with these bylaws. The Co-op shall invite members to run for the Board by posting notices in the store(s) at least forty-five (45) days before the Annual Meeting.

5.4 VOTING FOR DIRECTORS. Voting shall be by ballot, and conducted at the Annual Meeting or regular meeting. Owners can also vote at the Co-Op store(s) in advance of the meeting. Election results shall be announced at the Annual Meeting or regular meeting after tallying all votes cast at the store(s) and at the meeting.

5.5 QUORUM. No election of Directors shall be valid unless ten percent (10%) or twenty-five (25) members (whichever is smaller) of the membership is present and voting.

5.6 METHOD OF VOTING. For the purpose of voting, each member shall represent one vote. Members of The Co-op will vote for all candidates on an at-large basis. Each member voting shall cast one vote for each position available. Those candidates with the greatest number of votes shall be elected to the Board.

5.7 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. The appointee will serve for the remainder of the term of the Director being replaced.

5.8 REMOVAL. Directors may be removed for reasons of malfeasance by a vote of two-thirds (2/3) vote of membership, provided that at least ten percent (10%) of the members cast ballots. Voting shall be by a ballot delivered to all members. An election to remove any board member may be initiated by a two-thirds (2/3) vote of the Board of Directors or by a petition signed by ten percent (10%) of the membership.

5.9 MEETINGS. Regular meetings of the Board of Directors shall be held at least six (6) 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. Written 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 delivered in person, through United States mail, or through electronic communication. Attendance at a meeting constitutes waiver of such notice.

5.10 QUORUM. The Board of Directors shall conduct no business unless a simple majority of the Directors then in office is present.

5.11 ATTENDANCE. The term of office of a Director may be terminated prior to its expiration in any of the following ways: (i) voluntarily by a Director upon notice to the Secretary; (ii) automatically upon termination of membership in the Co-op; and (iii) for cause by the Board or by members, provided the Director is accorded fair notice of the charges and an opportunity to respond in person or in writing. A Director who is absent from three consecutive Board meetings or four meetings in any one-year period, unless excused by the Board for good cause, shall be presumed to have resigned. 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.

5.12 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.

5.13 PUBLICITY FOR MEETINGS. The time, place and agenda for all Board Meetings shall be publicized to members by posting notices in each store and by such other methods as may be practical.

Article VI Powers and Responsibilities of the Board

6.1 POWERS AND DUTIES. Except as to matters reserved to members by law or by these bylaws, the business and affairs of The Co-op shall be managed under the direction and supervision of the Board of Directors (sometimes referred to in these bylaws as "the Board"). Such powers shall reside exclusively in the Board as a deliberative body; they may reside in individual Directors only to the extent explicitly so delegated by the Board. The Board shall hire a General Manager (GM) who shall oversee the day to day operations of the grocery store. The Board shall establish policies to guide operational decisions. The GM shall engage employees, monitor and evaluate their performance, secure good conditions of employment and reasonable employee benefits, and assure that the purpose and mission of the Co-op are properly carried out.

6.2 MINUTES. The Board of Directors shall prepare minutes of all Board of Directors meetings.

6.3 ANNUAL REPORT. The Board of Directors shall present an Annual Report to the members at each Annual Meeting, containing a report on the year's operations and the financial statements.

6.4 REFERRAL TO MEMBERS. The Board may refer any question to the members for decision at an Annual or Special meeting or by referendum.

6.5 INPUT FROM MEMBERS. The Board is expected to continually solicit, both formally and informally, comments, suggestions and advice from members.

6.6 DISPUTE RESOLUTION. The Board may establish a neutral dispute resolution body to attempt to settle disputes between The Co-op and any of its members.

Article VII Committees

7.1 COMMITTEES. The Board may establish committees.

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

7.3. EXECUTIVE OFFICERS. "Executive Officers" must be elected from among the members of The Board. Executive Officers are primarily charged with strategic direction of The Co-op and assuring its compliance with the law. Part of their strategic direction includes oversight of the Operating Officers. The President, the Secretary, the Treasurer, and any Vice Presidents are designated Executive Officers. The term for each Executive Officer is until the next Annual Meeting of the Board.

7.4. OPERATING OFFICERS. "Operating Officers" are hired by The Board from non-Board members. Operating Officers are in charge of the day-to-day operations of The Co-op. Each Operating Officer is hired for a term specified by The Board.

7.5. ROSTER OF OFFICERS. The Officers of The Co-op shall be:

- (a) President
- (b) Vice President(s)
- (c) Secretary
- (d) Treasurer
- (f) General Manager

7.5. PRESIDENT. The President shall be responsible for assuring the orderly conduct of all meetings, coordinating the activities of the Board, and maintaining effective communication with the general manager, and shall present a report of operations at the annual meeting of owners.

7.6. VICE PRESIDENT. The Vice President shall be responsible for performing the duties of the President in his or her absence or disability; and, as requested, assisting the President in the performance of his or her duties.

7.7. SECRETARY. The Secretary shall be responsible for the recording and keeping of adequate minutes of all meetings of the Board and of owners, issuing notices required under these bylaws, and authenticating records of the Co-op.

7.8. TREASURER. The Treasurer shall oversee the maintenance of financial records, issuance of financial reports and the filing of all required reports and returns, and shall present a financial report at the annual meeting of owners.

7.9. GENERAL MANAGER. The General Manager is the chief operating officer of The Co-op. The General Manager shall manage all day-to-day operations of The Co-op, and:

- (a) Shall also have primary responsibility for managing such employees and/or volunteers of The Co-op.
- (b) Shall not be a member of The Board, but shall attend all Regular Board Meetings and such Special Meetings of The Board as The Board may call; and
- (c) Shall be eligible to participate in any vote of the Board except those involving his or her performance, compensation, retention or dismissal.

7.10. MULTIPLE OFFICES. Two or more offices may be held by the same person, except that:
One person may not serve simultaneously as both President and Secretary;
One person may not serve simultaneously as both President and Vice President;
One person may not serve simultaneously as both Vice President and Secretary.

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

7.12. EMPLOYEES. The Board of Directors shall hire or 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.

7.13. 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 Meetings of the Board

9.1. MEETINGS. Meetings of the Board shall be held no less frequently than once in each two-month period.

9.2. NOTICE. Meetings called by resolution of the Board shall require reasonable notice including but not limited to email and telephone calls. Special 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 telephone at least forty-eight hours 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 and on the website, but the inadvertent failure to do so shall not affect the validity of the meeting.

9.3. 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.

9.4. QUORUM. The presence in person of a simple majority of Directors shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board.

9.5. DECISION MAKING. Decisions at meetings of the Board shall be made by simple majority.

9.6. OPEN MEETINGS. Meetings of the Board and all committees shall be open to members, except that sessions of a meeting may be closed for discussion only as to matters of a confidential or sensitive nature.

Article X Operations

10.1. BUDGETS. The Board shall adopt an Annual Budget for the entire Co-op. The proposed annual budget for the Co-op shall be available to members.

10.2. 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.

10.3. 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. Any third party accounting or bookkeeping firm that is engaged by the Co-op shall report to the Board.

Article XI Dissolution

11.1. VOTE REQUIRED. The Co-op may only be dissolved by vote of two-thirds (2/3) majority of those voting in a duly called mail ballot vote of the membership, 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 provide for the payment of all business debts. Any remaining assets shall be used first to repay membership capital to all members who can be located and second to support, by donation, other cooperative organizations in Illinois (first) and nationally (second), as determined by the Board of Directors.

Article XII Interpretation and Amendment of Bylaws

12.1. INITIATION OF AMENDMENTS. Amendments to these by-laws or to the Articles of Incorporation may be proposed by the Board of Directors, and passed by a two-thirds (2/3) vote of ten percent (10%) of the members or by a two-thirds (2/3) vote of 100 or more members present (whichever is smaller) at an open meeting.

12.2. REFERRAL OF AMENDMENTS TO THE MEMBERS. The Board of Directors shall put all amendments which have been proposed according to Section 12.1 to a vote of the membership. These bylaws may be amended or repealed only at a meeting of members, provided that the proposed amendments are stated or fully described in the notice of the meeting at which the amendments are to be adopted.

12.3. APPROVAL OF AMENDMENTS. Amendments must be approved by a two-thirds (2/3) vote of those members voting.

Article XIII
Severability

13.1. 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.

Article XIV
Patronage Rebates

14.1. PATRONAGE REBATES. In order to assure that it will operate on a profitable basis relative to its transactions with members, The Co-op 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. Please refer to the Appendix attached with these Bylaws which explains Patronage Rebates in more detail.

14.2. 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 bylaws, 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.

14.3. 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 15 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.

14.4. CONSENT OF MEMBERS. By obtaining or retaining membership in the Co-op, each member 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.

14.5. 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.

14.6. 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.

14.7. 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.

14.8. 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 XV Indemnification

15.1. 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.

15.2. LIMITATION 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.

15.3. INSURANCE. The Co-op shall maintain insurance policies that adequately cover the indemnification of its directors and officers.

Appendix EXPLANATION OF PATRONAGE DIVIDEND CONSENT PROVISION

The Internal Revenue Code generally requires each person receiving a patronage dividend to include the amount of such distribution in his or her gross income in the taxable year in which it is received. Mere acceptance or retention of ownership in the Co-op constitutes consent to such inclusion in taxable income, including the portion of the patronage dividends 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 dividends is subject to an exception that is applicable to consumer cooperatives. Under that exception, a patronage dividend is not required to be included in gross income if the owner's purchases from the Co-op related to "personal, living or family items." The patronage dividend would be taxable to an owner only if his or her purchases related to the operation of a trade or business or other income producing activities.