

## **Welcome to the Sprout Co-Op Market & Deli!**

Big enough to meet your needs, small enough to meet your neighbors; the Co-Op offers a wide range of quality natural and organic food & more. We support Michigan farmers and suppliers by offering local products throughout all departments.

### **Our Co-Op serves many purposes:**

- Improving community access to fresh and healthy food
- Educating the community about nutrition and sustainability
- Benefiting the community by supporting local businesses
- Assuring Member access to the goods, services, and facilities of the Co-Op

### **Benefits of Co-Op Membership**

1. Being part of an organization dedicated to contributing to the health and self-determination of our community.
2. Having a say in the Co-Op's activities and future.
3. Shopping discounts, deals and potential patronage refunds.
4. Opportunities to share knowledge and build community.

We thank you very much for your support as a Founding Member. Your membership is invaluable- without you we couldn't be a cooperative!

## Sprout Co-Op Market & Deli Statement of Rights of and Restrictions on Membership

Before becoming a member of the Sprout Co-Op Market & Deli (“SCMD”), Michigan law requires that applicants be advised of the following rights and restrictions on membership and member capital. Please review this form for important information regarding membership rights and restrictions.

1. Sprout Co-Op Market & Deli is subject to the Michigan Nonprofit Corporation Act, as amended (P.A. 162 of 1982; M.C.L.A. 450.2101 et seq.). The SCMD is organized under the Consumer Cooperative Act, which is Chapter 11 of the Michigan Nonprofit Corporation Act, as amended.
2. The purpose of membership in the SCMD is to assure access to the goods, services, and facilities of the cooperative, not to gain profit.
3. Members are entitled to receive notice of and to attend special meetings and vote on issues put before the membership as stated in Article III (Section 3.6) of the SCMD Bylaws.
4. Membership in the SCMD is open to any person 21 years of age and older, regardless of race, color, sex, religion, national origin, sexual orientation, or disability. A requirement of membership in the SCMD is payment of member capital in an amount determined by the Board of Directors. For more information, please refer to Section 3.1 of the Bylaws.
5. Membership in the SCMD may be terminated by death, resignation, or decision of the Board of Directors for material violations by the member of the Co-Op’s rules and policies. For more information, please refer to Section 3.8 of the Bylaws.
6. A member’s membership and the member capital paid by a member is not transferable. For more information, please refer to Section 3.5 of the Bylaws.
7. Members who elect to redeem their shares and terminate their membership have the right to a full refund of shares at the end of the first fiscal year of the SCMD. The SCMD shall redeem the Member’s capital by paying to the Member in cash or other property the lesser of (a) the Member’s capital or (b) the Member’s pro rata share of the total Member Capital of the SCMD determined according to the ratio each Member’s Member Capital bears to the total Member Capital. The SCMD shall not redeem any Member Capital or any portion thereof under the following conditions: (a) if the SCMD is insolvent or if the redemption would render the SCMD insolvent; (b) if the Board otherwise determines that the refund would endanger the financial well-being of the SCMD; (c) unless after the redemption there remains outstanding one (1) or more classes of Members possessing among them, collectively, voting rights; or (d) when contrary to the Bylaws. For more information, please refer to Section 10.3 of the Bylaws.
8. Members have the right to call special meetings and elect a certain number of Board members. These rights are covered in Section 3.6 of the Bylaws. Members also have the right to

receive annual reports and to secure other material information concerning the cooperative (Sections 3.6, 4.2, and 4.5 of the Bylaws.

## Sprout Co-Op Market & Deli Bylaws

### ARTICLE I — Name and Organization

**1.1 Name.** The name of the Co-Op shall be The Sprout Co-Op Market & Deli, hereinafter “the Co-Op.”

**1.2 Organization.** The Co-Op is a Michigan nonprofit corporation that is a consumer cooperative. It is organized on a non-stock, membership basis.

### ARTICLE II — Purpose

**2.1 Purpose.** The purpose of the Co-Op shall be to serve the citizens of the Battle Creek community by:

- a. Improving community access to fresh and healthy food;
- b. Educating the community about nutrition and sustainability;
- c. Benefiting the community by supporting local businesses; and
- d. Assuring Member access to the goods, services, and facilities of the Co-Op.

The entity is member-owned and shall be operated on a cooperative basis for the mutual benefits of its members and for any other purpose that is lawful under the corporation statutes of Michigan.

### ARTICLE III — Membership

**3.1 Eligibility for Membership.** A Member is any patron that is eligible for membership, has received written acceptance of membership, and has fully paid his or her Member Capital or is current in payments on Membership Capital. Membership shall be open to all persons who are consumers, are patrons of the Co-Op, are 18 years of age or older, and who meet the requirements for admission to and retention of membership as are adopted from time to time by the Board of Directors (the “Board”). No Member shall own more than one membership.

**3.2 Member Capital Basis.** The Co-Op is organized on a member capital basis. Member Capital is the required payment for one membership share, as determined from time to time by the Board. Membership is optional. Membership is contingent upon the payment by a prospective member of Member Capital. Applicants for membership may pay their Member Capital over time, as determined by the Board. A Member shall be “in good standing” and shall enjoy all rights of membership so long as the Member has fully paid Member Capital or is current in his or 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 or her of the nonpayment, then such Member's rights and benefits of membership shall be automatically 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 (1) year, then such Member's membership shall be automatically terminated and the Member Capital paid by such Member shall be subject to redemption pursuant to Section 10.3 below.

**3.3 Notice.** Prior to a person becoming a Member, the Co-Op shall provide the person a statement in writing informing the person:

- a. 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. That the purpose of becoming a Member of a cooperative is to assure access to the goods, services, and facilities of the Co-Op and not to gain profit;
- c. Of voting rights and rights to notice of meetings of Members;
- d. Of the qualifications for admission to and retention of membership and the right of the Co-Op to terminate membership;
- e. Of the restrictions on the transfer of memberships;
- f. Of the rights to and restrictions on redemption of Member Capital; and g. Of the right of Members to call Special Meetings or cause a mail ballot, to receive the Conditions Report and Operations Report, and to secure other material information concerning the Co-Op.

**3.4 Membership Certificate.** Each person accepted as a Member shall be provided a Membership Certificate setting forth the initial Member Capital of the Member, and the information set forth in *Section 3.3(a), (e), and (f)*, above, as required by Section 1138 of the Michigan Nonprofit Corporation Act.

**3.5 Non-Transferability.** Neither membership in the Co-Op nor the Member Capital paid by a Member is transferable.

**3.6 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 the Co-Op's Board as outlined in Article V, to recall directors, to call a Special Meeting, to attend Open Meetings of the Board, to receive notice of Member meetings, to approve amendments to these Bylaws, to serve on General Committees, and to exercise such other rights of membership as may be established by the Board or by vote of Members.

**3.7 Responsibilities.** The responsibilities of membership shall be those set forth in the Michigan Nonprofit Corporation Act, those established by the Board, and those adopted by vote of Members. A Member is responsible for ensuring that the Secretary has the Member's current contact information, including address and e-mail address (if any) of the Member.

**3.8 Termination of Membership.** A person's membership shall be terminated by death, resignation, or failure of the Member to pay the Member Capital due from the Member, or if a Member's membership is suspended for one (1) year. A person's membership may be terminated by vote of the Board to terminate such person's membership for material violations or breaches by the person of the Co-Op's rules or policies.

## **ARTICLE IV — Meetings of Members**

**4.1 Annual Meeting.** The Co-Op shall hold an Annual Meeting of Members on the third Saturday in March following the close of the fiscal year of the Co-Op. At the Annual Meeting, the Officers shall submit both the Operations Report and the Conditions Report to the Members for the previous fiscal year. The Board shall, in a manner of its choosing, inform Members of the creation and dissolution of any Committees. Members shall elect directors of the Co-Op for the terms of office in the manner prescribed by these Bylaws, and may consider such other business as may be properly brought before them.

**4.2 Notice of Annual Meetings.** The Board shall post a notice of the Annual Meetings in a conspicuous location of the store no later than fifteen (15) days before the Annual Meeting. The Board may also send each Member written notice of Annual Meetings, either by mail or email to a Member's physical or electronic address on file with the Co-Op. The notice shall include the time, date, and location of the Annual Meeting, as well as the list of candidates running for the Board and instructions on how to vote for the Board. Compliance with this provision shall occur not less than fifteen (15) nor more than sixty (60) days before the date of the Annual Meeting.

**4.3 Agenda Items at Annual Meetings.** Agendas for Annual Meetings shall be set by the Board. The Board shall post notice of the contents of the Agenda at the store at least twenty-one (21) days before the final agenda is compiled. Members shall be allowed to suggest additional agenda items to the Board up to seven (7) days before the Annual Meeting. The meeting's agenda shall provide for no less than thirty (30) minutes for the Members to share comments in a manner prescribed by the Board.

**4.4 Special Meetings.** Special Meetings may be called by the Board or by a petition signed by 10% of the entire membership that clearly states the purpose of such meeting. Petitions signed by 10% of the entire membership shall be presented to the Secretary, who shall certify such petitions and make timely arrangements for a Special Meeting for only the purposes identified in the petition.

**4.5 Notice of Special Meetings.** The Board shall give notice of Special Meetings by providing each Member written notice of Special Meetings by mail or email to a Member's physical or e-mail address on file with the Co-Op. The Board shall also post a notice of any Special Meetings in a conspicuous location of the store. The notice shall include the time, date, and location of the Special Meeting. If the Special Meeting is called by a petition of the Members, the notice of the Special Meeting shall state the purpose named in such petition. Compliance with this provision shall occur not less than ten (10) nor more than sixty (60) days before the date of the Special Meeting.

**4.6 Quorum.** Quorum at any meeting of the Members shall be 10% of Members or fifty (50) Members, whichever is smaller. The attendance of a sufficient number of Members to constitute a quorum shall be established by a registration of the Members present in person at a meeting. Business may be discussed, but no official action may be taken without a quorum.

**4.7 Voting.** Unless otherwise provided by these Bylaws, each Member shall be entitled to one vote on each matter submitted to a vote of Members. Votes at Annual or Special Meetings may only be cast by Members physically present at the meeting. Votes may not be cast by proxy. Unless otherwise provided by law or in these Bylaws, questions presented at any meeting of the membership shall be decided by simple majority.

**4.8 Matters Subject to Special Voting Requirements.** Notwithstanding any other section of these Bylaws, amendment of the Articles of Incorporation, amendment of these Bylaws to alter Member voting rights or Member Capital, merger, consolidation, disposition of all or substantially all of the assets of the Co-Op, or dissolution 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 for Annual or Special Meetings.

If an action is taken on any matter described in the preceding paragraph, the matter which has been approved shall not take effect for sixty (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 forty-five (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. If an action or amendment is subject to confirmation, a filing shall not be made with the administrator until the time for presenting a petition has expired or the action is confirmed.

## **ARTICLE V — Board of Directors**

**5.1 Responsibilities.** The Board shall govern the business and affairs of the Co-Op and shall exercise all of the powers of the Co-Op, except those powers that are conferred upon or reserved to the Members by law, the Articles of Incorporation or these Bylaws. The Board shall adopt such policies, rules and regulations and shall take such actions as it may deem advisable, provided that the Board does not act in a manner inconsistent with law, the Articles of Incorporation or these Bylaws. The Board is responsible for supervising the General Manager. In addition, the Board shall carry out its duties in a manner consistent with cooperative principles.

**5.2 Size, Election, and Appointment.** The Board shall consist of nine (9) Members. Six (6) directors shall be elected by the Members and three directors shall be appointed by the Board.

Until the March 2026 board election, Sprout, Inc shall appoint directors in the manner provided for in **Section 5.6**. In the 2024 board election, the Board shall appoint one appointed director. In the 2025 board election, the Board shall appoint two appointed directors. In the 2026 election and thereafter, the Board shall appoint all three appointed directors. Any seats not filled by the Board shall be filled by a vote of Members.

**5.3 Term of Office.** A term shall be equal to three (3) years. Directors are eligible for reelection or reappointment after the expiration of a term.

**5.4 Staggered Terms.** Terms of offices shall be staggered so that no more than one third of the directors will be elected in any given year.

**5.5 Eligibility of Directors.** Any Member that has been a Member for at least six months (with the exception of the initial Board) and has paid Member Capital in full may serve on the Board. Notwithstanding the previous sentence, the General Manager and other employees of the Co-Op are not eligible to be directors.

**5.6 Method of Appointment of Initial Board and Appointed Directors for First Six Years of Operation.** Three members of the initial Board shall serve a term of a one-year term, three members shall serve a term of two years, and three members shall serve a three-year term. SCMD shall appoint three initial directors, one serving a one-year term, one serving a two-year term, and one serving a three-year term. Immediately following the expiration of the term of each of the initially appointed Sprout Inc directors, Sprout Inc shall appoint directors to fill each of their spots for one additional three-year term.

**5.7 Director Candidates.** Candidates for the Board may be nominated by any Member of the Co-Op. Candidates who accept their nomination shall submit Statements of Candidacy to the Board ten (10) days before the Annual Meeting. The Board shall e-mail Statements of Candidacy to all Members with an e-mail address and make such Statements of Candidacy available at the store no later than five (5) days before the Annual Meeting.

**5.8 Election of Directors.** Directors shall be elected by ballot. Members may vote at the store before the Annual Meeting, or at the Annual Meeting. Voting in the store shall be available no later than five (5) days before the Annual Meeting. Election results shall be announced at the Annual Meeting. Members shall use cumulative voting to elect directors. The number of votes that each Member voting for directors shall have shall equal the number of directors to be elected. Each Member may give all of those votes, so computed, to one candidate or may distribute those votes among any number of candidates.

**5.9 Resignation.** A director may resign his or her position by submitting a letter of resignation to the Board. Such resignation shall be effective upon delivery of the letter of resignation to the Secretary, or to the President if the resigning director is the Secretary.

**5.10 Removal of Directors.** The Board may vote to remove a director for any reason or no reason. If the Board votes to remove a director who was elected by the Members, such

removal must be ratified by a majority vote of the Members at a meeting in which a quorum of the Members is present.

**5.11 Vacancies.** A vacancy caused by death, resignation, or recall shall be filled by appointment of a Member by the remaining members of the Board. If the appointee is filling the position of an elected director, the appointee shall serve as a temporary director until the next Annual Meeting at which time the Members shall elect a director to fill the vacancy. This elected director will serve for the remainder of the vacant director's term. If the appointee is filling the position of an appointed director, the appointee shall serve as a director for the remainder of the vacant director's term.

**5.12 Meetings of Directors.** Regular meetings of the Board shall be held at least quarterly. The Board shall provide by resolution, without additional notice other than such resolution, the time and place for holding regular meetings. Except as provided in these Bylaws, meetings will be run in accordance with the procedures set forth by the Board.

**5.13 Special Meetings.** Special meetings of the Board may be called by the President or a majority of the Board. Notice of special meetings shall be given by mail or e-mail to each Board member at least seven days before the meeting. Those calling the special meeting may determine the time and place for holding the meeting. Attendance of a director at a meeting constitutes waiver of notice of the meeting, except where a director attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

**5.14 Quorum and Board Action.** A simple majority of the members of the Board then in office shall constitute a quorum for the transaction of business. The Board shall take action by the affirmative vote of a majority of the directors present at a duly held meeting.

**5.15 Remote Participation.** Directors may participate in person or remotely by a conference telephone or other means of remote communication by which all persons participating in the meeting may hear each other. All participants shall be advised of the means of remote communication in use and the names of the participants in the meeting shall be divulged to all participants.

**5.16 Open and Closed Meetings.** Meetings of the Board shall be open to all Members, unless a majority of the Board calls for a Closed Meeting. At Open Meetings, Members may observe but not participate according to the meeting policies established by the Board. In the event the Board calls for a Closed Meeting, they shall provide a general statement of purpose for the Closed Meeting.

**5.17 Action without a Meeting.** Any action required or permitted to be taken at a meeting of the Board may be taken by written action signed by all of the directors. The written action can be in writing or by electronic transmission and shall take place before the action. The written consents shall be filed with the minutes of the proceedings of the Board.



## ARTICLE VI — Officers

**6.1 Election.** At its first regularly scheduled meeting after each annual Board election, the Board shall elect a President, Secretary and Treasurer from the existing Board. Contested elections shall be resolved by secret ballot. Officers shall serve for two-years. A person may not be elected to an Officer position if his or her Board term will end before the Officer term. One person may hold as many as two officer positions.

**6.2 President.** The President shall see that all orders and resolutions of the Board are carried into effect and shall preside at all meetings of the Members and directors. The President shall be the official representative of the Co-Op to all outside associations and organizations of which the Co-Op is a Member, unless another person is appointed by the President or the Board to do so. The President shall sign and deliver in the name of the Co-Op any deeds, mortgages, bonds, contracts and other instruments pertaining to the business of the Co-Op, except in cases in which the authority to sign and deliver is required by law or delegated by the Articles or these Bylaws to be exercised by another person. This broad signing authority shall not be construed so as to preclude the Board from authorizing any other officer or agent of the Co-Op to sign any deeds, mortgages, bonds, contracts or other instruments pertaining to the business of the Co-Op on behalf of the Co-Op. The President shall certify the Conditions Report and Operations Report before they are shared with Members. The President shall have such other duties as may, from time to time, be assigned by the Board.

**6.3 Secretary.** Subject to the discretion of the Board, the Secretary shall attend all meetings of the Members and Board; record all votes at and keep minutes of all meetings; and record all proceedings of the meetings in the minute book of the Co-Op. The Secretary shall give proper notice of meetings of the Members and of the Board. The Secretary shall keep a list of all Members and, prior to an Annual Meeting or a Special Meeting, shall certify which Members are eligible to vote. The Secretary shall perform such other duties as may, from time to time, be prescribed by the Board or by the President.

**6.4 Treasurer.** Subject to the discretion of the Board, the Treasurer shall be the custodian of all funds, securities and properties of the Co-Op and shall perform such other duties with respect to the finances of the Co-Op as may be prescribed by the Board or by the President. This function may be delegated by the Board to management with oversight by the treasurer or the Board. The Treasurer shall have responsibility for all financial reports of the Co-op and shall supervise their preparation and accuracy. The Treasurer will countersign all documents in the absence or incapacity of the Secretary.

**6.5 Removal.** Officers may be removed by the Board when, in the Board's judgment, the best interests of the Co-Op are served. Removal of a Director from an officer position shall not automatically constitute removal of that director from the Board.

**6.6 Resignation.** An officer may resign his or her position by submitting a letter of resignation to the Board. Such resignation shall be effective upon delivery of the letter of resignation to the Secretary, or to the President if the resigning director is the Secretary.

**6.7 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.

**6.8 Vacancies.** The Board may fill any officer vacancies by a method determined, from time to time, by the Board.

## **ARTICLE VII — Committees**

**7.1 Committees.** The Board may establish and dissolve such committees as it deems necessary, both standing and temporary. The Board may determine the qualifications for membership in each committee. Committees have the powers delegated to them by the Board.

**7.2 Director Committees.** Only directors may serve on committees designated by the Board as Director Committees. The Board shall elect directors to serve on Director Committees.

**7.3 General Committees.** Members of the Co-Op, directors, and any other persons the Board deems necessary may serve on committees designated by the Board as General Committees. Members may suggest to the Board that it create General Committees. The Board shall appoint an interim Committee Chair to each General Committee. Members of a General Committee shall elect a permanent Committee Chair by no later than the third meeting of the General Committee to replace the interim Committee Chair. The Board may appoint Members to each General Committee or chose to fill the committee by vote of the Members, with volunteers, or by any other means the Board deems appropriate.

**7.4 Standing Committees.** The Standing Committees shall include: the Finance Committee, the Membership Committee, and the Officer's Committee. The Finance Committee and the Officer's Committee shall be Director Committees.

**7.5 Temporary Committees.** The Board may establish a temporary committee by a simple majority vote. The Board shall specify the task of the Temporary Committee upon its creation, and the Temporary Committee shall dissolve upon completion of the assigned task.

**7.6 Quorum and Committee Action.** A simple majority of the Members of a committee shall constitute a quorum for the transaction of committee business. A committee shall take action by a majority vote of the committee members present at a meeting in which quorum is present.

**7.7 Action Without a Meeting for Director Committees.** Any action required or permitted to be taken by a Director Committee may be taken by a written action signed by all of the members of a Director Committee. The written action can be signed by hand or electronic transmission. The written consents shall be filed in the minutes of the proceedings of the Director Committee.

**7.8 Remote Participation for Director Committees.** Directors serving on Director Committees may participate in person or remotely by a conference telephone or other means of remote communication by which all persons participating in the meeting can hear each other. All participants shall be advised of the means of remote communication in use and the names of the participants in the meeting shall be divulged to all participants.

## **ARTICLE VIII — Staff**

**8.1 Hiring the General Manager.** The Board shall be responsible for hiring the General Manager.

**8.2 Responsibilities of the General Manager.** The General Manager is responsible for carrying out the policies and decisions of the Board and Members. The General Manager and staff shall carry out all tasks to insure that the store is operated in an efficient, sensible and prudent manner for the benefit of the Members. The General Manager shall set the wages and terms of employment for all employees and is responsible for determining whether employees meet the requirements of employment. The General Manager shall prepare an annual budget for the Co-Op to be approved by the Board.

## **ARTICLE IX — Operations**

**9.1 Fiscal Year.** The fiscal year of the Co-Op shall be set by the Board.

**9.2 Audits.** The Board shall obtain an internal audit of the Co-Op's books at the end of each fiscal year and shall obtain an external audit at least every three years. The Board may require such other audits as it may, from time to time, determine as necessary.

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

**9.4 Investment.** Cash reserves shall be kept in low-risk interest-bearing accounts or mutual funds, in credit unions, banks, and savings and loan associations. The Co-Op 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.

**9.5 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. Each such borrowing, other than borrowing from Members under Board-approved programs, must be specifically approved by the Board.

**9.6 Accounts.** The Board shall have the power to determine who may 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.

**9.7 Operations Report.** The Board shall, in a manner of its own choosing, keep a set of books for recording its operations. A written report shall be prepared annually and include:

- a. A statement of the amount of the Co-Op's transactions with Members.
- b. A statement of the amount of the Co-Op's transactions with nonmember patrons.
- c. A balance sheet.
- d. An income statement.
- e. Such other information as the Board may require.

**9.8 Conditions Report.** The Board shall, in a manner of its own choosing, prepare a report of its condition no later than 120 days after the close of its Fiscal Year. The report shall be certified by the President and include:

- 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.
- d. Such other information as the Board may require.

**9.9 Distribution of Reports.** A copy of the Conditions Report and Operations Report shall be presented at the Annual Membership meeting. Copies of these 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 these reports shall be mailed to a Member upon written request by the Member.

**9.10 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.

**9.11 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 X – Finance**

**10.1 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, with the calculation being made as described in Section 1135 of the Michigan Nonprofit Corporation Act.

Net Savings shall be determined by deducting from total income:

- a. All operating costs and expenses;

- b. Reasonable reserves for depreciation and obsolescence of property, doubtful accounts, other valuation or operating reserves, capital investments and reserves for capital investment; and
- c. Dividends paid on Member Capital and interest or dividends paid on nonvoting investment certificates or bonds, if any.

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 for the common benefit of all patrons of the Co-Op. 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.

**10.2 Losses.** In the event the Co-Op 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 10.1* of these Bylaws, until such time as all accrued losses have been eliminated.

**10.3 Redemption of Member Capital.** Upon termination of membership, Members have the right to a refund of shares after the end of the first fiscal year of the Co-Op.

The Co-Op shall redeem the Member's capital by paying to the Member in cash or other property the lesser of (a) the Member's capital or (b) the Member's pro rata share of the total Member Capital of the Co-Op determined according to the ratio each Member's Member Capital bears to the total Member Capital.

The Co-Op shall not redeem any Member Capital or any portion thereof under the following conditions: (a) if the Co-Op is insolvent or if the redemption would render the Co-Op insolvent; (b) if the Board otherwise determines that the refund would endanger the financial wellbeing of the Co-Op; (c) unless after the redemption there remains outstanding one (1) or more classes of Members possessing among them, collectively, voting rights; or (d) when contrary to these Bylaws.

**10.4 Distribution to Patrons.** The Board may, at their sole discretion, decide to allocate or distribute a portion of its net savings to each Member whose membership is in good standing. The distribution shall be determined by allocating net savings to all Members in proportion to their individual patronage. The Board may set a floor below which a distribution to patrons will not be paid. The distribution may be paid in any of the following ways:

- a. Cash;
- b. Store Credit;
- c. Credit towards unpaid Member Capital; or
- d. Any other allowable means of providing a distribution authorized by law.

## ARTICLE XI — Dissolution

**11.1 Vote Required.** A proposal to dissolve the Co-Op shall be proposed by the Board and ratified by the Members. Two-thirds of the entire Board must approve a proposal to dissolve. Members may approve the proposal to dissolve by a majority vote of the Members present at a meeting of the Members in which a quorum of the Members is present. Members may also approve the proposal by a majority vote conducted through mail ballot, provided that ten percent (10%) of the Members or fifty (50) Members, whichever is less, participate in such mail voting.

**11.2 Distribution of Assets Upon Dissolution.** Upon dissolution, the Board shall provide for the payment of all business debts. Any remaining assets shall be used in the manner and order provided in Section 1183 of the Nonprofit Corporation Act: first to repay membership capital to all Members who can be located and second to support, by donation, other cooperative organizations in Battle Creek (first), Michigan (second) and nationally (third), as determined by the Board.

**11.3 Distribution of Assets Upon Alternative Event.** In the event of an amendment to the articles or Bylaws, merger, consolidation, or disposition of substantially all of the assets of the Co-Op, which results in a distribution of all or substantially all of the assets of the Co-Op to Members, the distribution shall be in the manner and order provided in *Section 11.2*.

## ARTICLE XII — Indemnification and Insurance

**12.1 Assumption of Volunteer Liability.** The Co-Op assumes the liability for all acts or omissions of a volunteer if all of the following conditions are met:

- a. The volunteer was acting or reasonably believed he or she was acting within the scope of his or her authority.
- b. The volunteer was acting in good faith.
- c. The volunteer's conduct did not amount to gross negligence or willful and wanton misconduct.
- d. The volunteer's conduct was not an intentional tort.
- e. The volunteer's conduct was not a tort arising out of the ownership, maintenance, or use of a motor vehicle for which tort liability may be imposed as provided in section 3135 of the Insurance Code of 1956, 1956 PA 218, MCL 500.3135.

**12.2 Limitation of Volunteer Liability.** No member of the Board of Directors of the Co-Op who is a volunteer director, as that term is defined in the Michigan Nonprofit Corporation Act (the "Act"), or a volunteer officer shall be personally liable to the Co-Op or its Members for monetary for a breach of the director's or officer's fiduciary duty; provided, however, that this provision shall not eliminate or limit the liability of a director or officer for any of the following:

- a. A breach of the director's or officer's duty of loyalty to the Co-Op or its Members.
- b. Acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law.
- c. A violation of section 551(1) of the Act.
- d. A transaction from which the director or officer derived an improper personal benefit.
- e. An act or omission occurring before the filing of these Bylaws.
- f. An act or omission that is grossly negligent.

If the Act is amended after the filing of these Bylaws to authorize the further elimination or limitation of the liability of directors or officers of nonprofit corporations, the liability of members of the Board of Directors or officers, in addition to that described in **Section 12.1**, shall be eliminated or limited to the fullest extent permitted by the Act as so amended. No amendment or repeal of article **Section 12.1** shall apply to or have any effect on the liability or alleged liability of any member of the Board of Directors or officer of the Co-Op for or with respect to any acts or omissions occurring before the effective date of any such amendment or repeal.

**12.3 Derivative Actions.** Subject to all of the provisions of this article, the Co-Op shall indemnify any person who was or is a party to, or is threatened to be made a party to, any threatened, pending, or completed action or suit by or in the right of the Co-Op to procure a judgment in its favor because (a) the person was or is a director or officer of the Co-Op or (b) the person was or is serving at the request of the Co-Op as a director, officer, employee, or independent contractor, whether or not for profit. The person shall be indemnified and held harmless against expenses, including actual and reasonable attorney fees, and amounts paid in settlement incurred by the person in connection with the action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Co-Op. However, indemnification shall not be made for any claim, issue, or matter in which the person has been found liable to the Co-Op unless and only to the extent that the court in which the action or suit was brought has determined on application that, despite the adjudication of liability but in view of all circumstances of the case, the person is fairly and reasonably entitled to indemnification for the expenses that the court considers proper.

**12.4 Expenses of Successful Defense.** To the extent that a person has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in **Sections 12.1, 12.2, or 12.3** or in defense of any claim, issue, or matter in the action, suit, or proceeding, the person shall be indemnified against expenses (including actual and reasonable attorney fees) incurred in connection with the action and in any proceeding brought to enforce the mandatory indemnification provided by this article.

**12.5 Contract Right; Limitation on Indemnity.** The right to indemnification conferred in this article shall be a contract right and shall apply to services of a director or officer as an employee or agent of the Co-Op as well as in such person's capacity as a director or officer. Except as provided in **Section 12.2**, the Co-Op shall have no obligations to indemnify any person in connection with any proceeding, or part thereof, initiated by such person without authorization by the Board.

**12.6 Determination that Indemnification is Proper.** Any indemnification under *Sections 12.1, 12.2, or 12.3*, unless ordered by a court, shall be made by the Co-Op only as authorized in the specific case. The Co-Op must determine that indemnification of the person is proper in the circumstances because the person has met the applicable standard of conduct set forth in *Sections 12.1, 12.2, or 12.3*, whichever is applicable. The determination shall be made in any of the following ways:

- (a) By a majority vote of a quorum of the Board consisting of directors who were not parties to such action, suit, or proceeding.
- (b) If the quorum described in clause (a) above is not obtainable, by a committee of directors who are not parties to the action. The committee shall consist of not less than two disinterested directors.
- (c) By independent legal counsel in a written opinion.

**12.7 Proportionate Indemnification.** If a person is entitled to indemnification under *Sections 12.1, 12.2, or 12.3* for a portion of expenses, including attorney's fees, judgments, penalties, fines, and amounts paid in settlement, but not for the total amount, the Co-op shall indemnify the person for the portion of the expenses, judgments, penalties, fines, or amounts paid in settlement for which the person is entitled to be indemnified.

**12.8 Advance of Expenses.** Expenses incurred in defending a civil or criminal action, suit, or proceeding described in *Sections 12.1, 12.2, or 12.3* may be paid by the Co-Op in advance of the final disposition of the action, suit, or proceeding on receipt of an undertaking by or on behalf of the person involved to repay the expenses, if it is ultimately determined that the person is not entitled to be indemnified by the Co-Op. The undertaking shall be an unlimited general obligation of the person on whose behalf advances are made, but it need not be secured.

**12.9 Nonexclusivity of Rights.** The indemnification or advancement of expenses provided under this article is not exclusive of other rights to which a person seeking indemnification or advancement of expenses may be entitled under a contractual arrangement with the Co-Op. However, the total amount of expenses advanced or indemnified from all sources combined shall not exceed the amount of actual expenses incurred by the person seeking indemnification or advancement of expenses.

**12.10 Indemnification of Employees and Agents of the Co-Op.** The Co-Op may, to the extent authorized from time to time by the Board, grant rights to indemnification and to the advancement of expenses to any employee of the Co-op to the fullest extent of the provisions of this article with respect to the indemnification and advancement of expenses of directors and officers of the Co-Op.

**12.11 Former Directors and Officers.** The indemnification provided in this article continues for a person who has ceased to be a director, officer, or volunteer and shall inure to the benefit of the heirs, executors, and administrators of that person.

**12.12 Insurance.** The Co-op shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, manager, employee, or agent of the Co Op against liability asserted against and incurred by the person in the person's capacity as a



director, officer, manager, employee or agent, or arising from the person's status as a director, officer, manager, employee, or agent of the Co-Op.

**12.13 Changes in Michigan Law.** If there are any changes in the Michigan statutory provisions applicable to the Co-Op and relating to the subject matter of this article, the indemnification to which any person shall be entitled shall be determined by the changed provisions, but only to the extent that such changes permit the Co-Op to provide broader indemnification rights than the provisions permitted the Co-Op to provide before the change.

### **ARTICLE XIII — Amendments**

**13.1 Proposal of Amendments.** A proposal to amend these Bylaws or the Articles of Incorporation may be proposed by either the Board or Members. The Board shall propose such amendments by a two-thirds (2/3) majority of the entire Board. Members may propose such amendments by a petition signed by ten percent (10%) of the entire membership that clearly states the amendment to be offered. Petitions signed by ten percent (10%) of the entire membership shall be presented to the Secretary, who shall certify such petitions and make timely arrangements for a Special Meeting for only the purpose of voting on the amendment or amendments proposed in the petition.

**13.2 Voting on Amendments.** Amendments to the Articles of Incorporation and Bylaws shall be approved by a majority of Members voting on such amendment at meeting of the Members in which quorum of the Members is present.