

Adopted by vote of the Ownership on 05 20 2007

BYLAWS
OF
BLUE HILL CO-OP

Article I
Organization

Section 1.1 - **Name.** The name of the organization is Blue Hill Co-op.

Section 1.2 - **Operating principles.** The Co-op shall operate exclusively on a cooperative and nonprofit basis. The Co-op shall be operated in accordance with the cooperative principles adopted by the 1995 General Assembly of the International Co-operative Alliance, such principles being: (i) voluntary and open ownership without arbitrary discrimination; (ii) democratic governance; (iii) economic participation by owners; (iv) autonomy and independence of the Co-op; (v) providing education and training; (vi) cooperation with other cooperatives; and (vii) concern for community.

Section 1.3 - **Nondiscrimination.** The Co-op shall not discriminate on the basis of race, nationality, religion, age, gender, sexual orientation, political affiliation, or other arbitrary basis.

Section 1.4 - **Fiscal year.** The fiscal year of the Co-op shall begin on the first day of July in each year and end on the last day of June of the succeeding year.

Article II
Ownership

Section 2.1 - **Admission.** Ownership in the Co-op shall be voluntary and open to any individual whose purpose is to use the services of the Co-op and who is willing to accept the responsibilities of ownership. Applicants will be admitted to ownership upon submitting required information and purchasing or subscribing to purchase a capital certificate at an issuing price determined by the Board of Directors. On or before admission, each owner shall be provided a copy of these bylaws, including the appended explanation of patronage rebates. In case of doubtful eligibility, an application for ownership shall be subject to approval by the Board at any time within six months after the date of application. *(Revised Sept. 08)*

Section 2.2 - **Rights.** Each owner shall be entitled to make purchases from the Co-op on terms generally available to owners and to participate in the governance of the Co-op as set forth in these bylaws. Rights of owners shall be personal rights and not property rights.

Subscribers shall be considered owners for all purposes. Owners may contribute labor or services and thereby be entitled to receive discounts as determined by the General Manager.

Section 2.3 - Responsibilities. Owners shall keep reasonably current in their capital certificate purchase obligation and shall patronize the Co-op on at least an occasional basis. An owner who becomes delinquent in meeting the capital certificate purchase obligation to an extent determined by the Board, or who fails to patronize the Co-op for a period of time determined by the Board, shall, no sooner than thirty days after delivery of written notification, be placed into inactive status. His or her participation rights shall then be suspended. An owner in inactive status may attain good standing only upon full payment of all arrearages or reestablishment of a patronage relationship with the Co-op. References herein to the rights and entitlements of owners shall be understood to refer only to owners in good standing.

Section 2.4 - Access to information. Owners shall be provided reasonably adequate and timely information as to the operational and financial affairs of the Co-op. An owner shall, upon request, be provided any other information concerning the operational and financial affairs of the Co-op that is necessitated by, and directly related to, a proper purpose, subject to such reasonable restrictions or conditions as is determined by the Board to be necessary to protect confidential or sensitive information. Any proper request necessitating information from the Co-op's records of owners shall be accommodated by means other than direct access to such records.

Section 2.5 - Settlement of disputes. In any dispute between the Co-op and any of its owners or former owners which cannot be resolved through informal negotiation, it shall be the policy of the Co-op to prefer the use of mediation whereby an impartial mediator may facilitate negotiations between the parties and assist them in developing a mutually acceptable settlement. Neither party with a grievance against the other shall have recourse to litigation until the matter is submitted to mediation and attempted to be resolved in good faith.

Section 2.6 - Nontransferability. Ownership rights and interests may not be transferred except to the Co-op. Following termination of ownership the Co-op will, upon request, transfer the carrying value of his or her capital certificate credits and/or deferred patronage rebates, net of any authorized offsets, to the credit of another person designated by the requesting owner, provided that the person so designated is an owner or becomes an owner and the requesting owner certifies that s/he has not and will not receive consideration for the transaction in excess of the net carrying value of the interests on the books of the Co-op. Any attempted transfer contrary to this section shall be wholly void and shall confer no rights on the intended transferee.

Section 2.7 - Termination. Ownership may be terminated voluntarily by an owner at any time upon notice to the Co-op. Ownership may be terminated involuntarily for cause at a meeting of owners or by the Board after the owner is provided fair notice of the charges and an opportunity to respond in person or in writing. Upon termination of ownership, all

rights and interests in the Co-op shall cease except for rights to redemption of capital pursuant to Articles VII and VIII of these bylaws.

Article III Meetings of Owners

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

Section 3.2 - Special meetings. Special meetings of owners may be called by the Board and shall be called by the Secretary after receipt and verification of petitions signed by ten percent of all owners, such petitions stating any proper business to be brought before the meeting. Any business conducted at a special meeting other than that specified in the notice of the meeting shall be of an advisory nature only.

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

Section 3.4 - Notice. Written notice of the time and place of a meeting of owners, and in the case of a special meeting the purpose or purposes of the meeting, shall be mailed to each owner or included in a Co-op publication that is mailed to each owner. The notice must be mailed or published not less than fifteen nor more than forty-five days before the date of the meeting.

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

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

Section 3.7 - Voting. Unless otherwise required by these bylaws, each owner shall have one and only one vote on each matter submitted to a vote of owners. Unless otherwise required by law or by these bylaws, issues shall be decided by a simple majority of votes cast except where one or more choices are to be made from several alternatives, in which case the alternative(s) receiving the most votes shall be considered approved. Meetings of owners shall be conducted generally in accordance with reasonable and accepted rules of parliamentary procedure.

Section 3.8 - Balloting by mail. Owners may, as authorized by the Board, vote by mail ballots in lieu of, or in conjunction with, a meeting of owners. Ballots, together with the exact text of an issue for decision, shall be included in the notice of the meeting to which they relate. Ballots shall be submitted in a sealed envelope bearing the owner's name and any other required identifying information and shall be submitted in conformity with instructions contained in the notice. Casting of a ballot by mail shall be equivalent to presence in person at a meeting, and ballots cast by mail shall be counted together with votes cast at the meeting, if any. *(Revised Sept. 08)*

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

Article IV Board of Directors

Section 4.1 - Powers and duties. Except as to matters reserved to owners by law or by these bylaws, the business and affairs of the Co-op shall be managed under the direction and control 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 duties of the Board shall include, but not be limited to, overseeing the operations and finances of the Co-op, establishing policies to guide operational decisions, engaging a general manager and monitoring and evaluating his or her performance, and assuring that the purpose and policies of the Co-op are properly carried out.

Section 4.2 - Number and qualifications. The Board shall consist of three to fifteen individuals. To be qualified as a director, a person shall be of the age of eighteen or more years, shall have been an owner for at least six months prior to the commencement of the election of directors, and shall not have any overriding conflict of interest with the Co-op. One board seat will be reserved for a Co-op employee elected by a majority vote of their fellow workers to a three-year term. To qualify for this seat, the employee must also be a Co-op member in good standing. The general manager is not eligible to run for this seat."

Section 4.3 - Nominations, election and terms. Directors may be nominated by the Board, by a nominating committee, or by petitions signed by at least twenty-five owners and submitted to the Co-op at least sixty days before the date of the annual meeting. Directors shall be elected by owners. Periodically as may be necessary directors shall be elected for one or two year terms in order to assure that, as nearly as may be practicable, one-third of director terms expire in each year. At other times directors shall be elected for terms of three years. Candidates receiving the highest number of votes shall be given the longest available terms. No director shall serve more than two consecutive three-year terms. Directors shall

hold office until their successors are elected or until their offices are sooner terminated in accordance with these bylaws.

Section 4.4 - Compensation. Directors shall be compensated by entitlement to no more than two and one-half times the discount percentage available to working owners. Directors may otherwise be compensated only as approved at a meeting of owners. Directors may be reimbursed for reasonable expenses incurred in connection with the performance of authorized business of the Co-op.

Section 4.5 - Standards of conduct. Directors shall be responsible at all times for discharging their duties in good faith, in a manner that they reasonably believe to be in the best interests of the Co-op and with the care that an ordinarily prudent person in a like position would use under similar circumstances.

Section 4.6 - Conflicts of interest. Directors shall be under an affirmative duty to disclose their actual or potential conflicts of interest in any matter under consideration by the Board, and such interest shall be made a matter of record in the minutes of the meeting. Directors having such an interest shall be permitted to make a statement with regard to the matter and shall then be required to leave the meeting room. A transaction in which a director has an interest shall be prohibited unless the transaction is fair to the Co-op and is approved by no less than a two-thirds majority of all disinterested directors.

Section 4.7 - Indemnification. In order to attract and retain qualified people to serve in positions of responsibility, the Co-op shall indemnify its directors and officers to the fullest extent required or permitted under Maine law. Indemnification payments shall be made on a priority basis but only in such increments and at such times as will not jeopardize the ability of the Co-op to pay its other obligations as they become due. Any indemnification payments or advances shall be reported to owners not later than the next-scheduled meeting of owners.

Section 4.8 - Committees. The Board may appoint special or standing committees to advise the Board or to exercise such authority as the Board shall designate. Such committees shall include at least one director. The appointment of any committee shall not relieve the Board of its responsibilities in the oversight of the Co-op.

Section 4.9 - Termination. The term of office of 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 ownership in the Co-op; and (iii) for cause by the Board or by owners, 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, unless excused by the Board for good cause, shall be presumed to have resigned.

Section 4.10 - Vacancies. Any vacancy among directors occurring between annual meetings may be filled by the Board for the remainder of the unexpired term.

Article V Meetings of the Board

Section 5.1 - **Meetings.** The Board of Directors may determine the times and places of its meetings. Special meetings may be called by the President and shall be called by the Secretary upon request of any three directors. Meetings of the Board shall be held no less frequently than once in each calendar quarter.

Section 5.2 - **Notice.** Meetings called by resolution of the Board shall require no notice, it being the responsibility of absent directors to inquire as to the time of further scheduled meetings. 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 a telecommunications device 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, but the inadvertent failure to do so shall not affect the validity of the meeting.

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

Section 5.4 - **Quorum.** The presence in person of a majority of directors shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board.

Section 5.5 - **Decision making.** Decisions at meetings of the Board shall be made by consensus, attempting to resolve all expressed concerns based on the best interests of the Co-op. Any decision made by consensus shall be deemed to be inclusive of a vote in any required percentage. If, in the opinion of a two-thirds majority of directors present, diligent efforts have failed to produce a consensus and the issue requires immediate action, then such issue shall be decided by a two-thirds majority vote.

Section 5.6 - **Action without a meeting.** Any action required or permitted to be taken at a meeting of the Board may be taken without a meeting only if a written consent to the action is signed by all directors and filed with the minutes of meetings.

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

Article VI Officers

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

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

Section 6.3 - Duties. In addition to signing or attesting to formal documents on behalf of the Co-op as authorized by the Board, officers shall have the following duties and such additional duties as are determined by the Board:

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

(b) The Vice President shall be responsible for performing the duties of the President in his or her absence or disability and assisting the President in the performance of his or her duties.

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

(d) The Treasurer shall be responsible for overseeing the maintenance of financial records and the issuance of financial statements, and filing all required reports and returns, and shall present a financial report at the annual meeting of owners.

Article VII Capital Certificates

Section 7.1 - Issuance and terms. To evidence capital funds provided by owners the Co-op shall issue capital certificates. Certificates may be issued only to persons eligible for, and admitted to ownership in, the Co-op. The issuing price of capital certificates shall be set in regard to the current and prospective capital needs of the Co-op as determined by the Board. Terms of payment may vary in accordance with the financial circumstances of owners under uniform standards determined by the Board. The issuing price may be increased as may be required by reason of the reasonable capital needs of the Co-op, provided that any increase applies equally to all existing and newly-admitted owners. Capital certificates shall be entitled to no dividend or other monetary return on capital.

Section 7.2 - Accounting for proceeds. Proceeds of capital certificates shall be credited on the books of the Co-op to capital accounts in the names of contributing owners. The Co-op shall segregate such proceeds and restrict their use only for acquiring capital assets or for paying liabilities incurred for such purpose.

Section 7.3 - **Certificates.** Upon full payment of its issuing price an owner shall be entitled to receive a certificate evidencing such payment. Certificates shall be signed personally or by facsimile by the President and the Secretary and shall be numbered and recorded in a register maintained by the Co-op. Each certificate shall contain a prominent notation that it is nontransferable except to the Co-op in accordance with these bylaws. 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 7.4 - **Redemption.** Upon request following termination of ownership, capital certificates shall be redeemed when replacement capital is provided by other owners. Capital certificates shall be redeemable at the lesser of their carrying value on the books of the Co-op or their net book value, less a reasonable processing fee, if any, as determined by the Board. Certificates may also be redeemed, at the discretion of the Board, under other compelling circumstances. No redemption shall be made when such payment would impair the ability of the Co-op to meet its other obligations as they become due. Reapplications for ownership after full or partial redemption shall be subject to full repayment of redemption proceeds and a processing fee, if any, as determined by the Board of Directors.

Section 7.5 - **Lien and offset.** The Co-op shall have a first lien on capital certificates to the extent of amounts due and payable to the Co-op by the owner. The Co-op may, at any time after such amounts remain due and payable for thirty or more days, offset such amounts against credits for certificates. Such offset may not be effected by the owner or by anyone acting in the right of the owner.

Article VIII Patronage Rebates

Section 8.1 - **Reductions of net savings.** Ten percent of the realized net savings of the Co-op for each fiscal year shall be allocated to a reserve fund until such fund accumulates to fifty percent of paid-up capital, after which time no further allocations to the reserve fund shall be made. One percent of realized net savings for each fiscal year shall be allocated to an educational fund to be used in teaching cooperation. Allocations to both funds shall come first from net savings attributable to business with nonowners. Net savings may be further reduced by such reasonable reserves for necessary business purposes as is determined by the Board.

Section 8.2 - **Distribution of net savings.** The realized net savings as so adjusted shall, to the extent attributable to the patronage of owners, be allocated and distributed among owners as patronage rebates in proportion to their patronage and in such a manner and at such a time as to constitute patronage dividends within the meaning of federal income tax law. Any 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 owners. Owners shall retain the right to waive in whole or in part, by action at a meeting of owners, any patronage rebates to which they may be entitled.

Section 8.3 - Consents of owners. By obtaining or retaining ownership in the Co-op, each owner shall thereby consent to take into account, in the manner and to the extent required by Section 1385 of the Internal Revenue Code, the stated dollar amount of any qualified written notice of allocation in the taxable year in which such notice is received. By obtaining or retaining ownership in the Co-op, each owner shall thereby also consent to a portion of the owner's patronage rebate not exceeding 80% of such allocation, as determined by the Board of Directors, being credited to a revolving capital account in the name of the owner and subject to the terms and conditions set forth below.

Section 8.4 - Deferred amounts. Payment of a portion of patronage rebates, not to exceed eighty percent of the allocation, may be deferred for the reasonable capital needs of the Co-op, as determined by the Board. Such amounts shall be credited to revolving capital accounts in the names of recipient owners. Such deferred patronage rebates shall accrue no dividend or interest. They shall be redeemed in thirty years unless sooner determined by the Board of Directors to be no longer needed for capital purposes of the Co-op. At that time they shall be redeemed in the order of the oldest outstanding amounts and on a pro rata basis among such amounts, and shall be payable only to persons who are then owners in good standing or who become so within ninety days of the effective date of redemption. Deferred patronage rebates may also be redeemed under compelling circumstances as determined by the Board of Directors. They shall be subject to lien and offset as described in section 7.5 above.

Section 8.5 - Allocation of net loss. In the event the Co-op shall incur a net loss in any fiscal year, such loss shall be allocated to owners in the same manner as for net savings, subject to the exclusion of nominal amounts as described in section 8.2. Any such allocated net loss shall be charged first against deferred 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 ownership. Allocated net losses shall not otherwise be assessed to or collected from owners.

Article IX Interpretation and Amendment of Bylaws

Section 9.1 - Interpretation. The Board of Directors shall have the power, with or without advice of legal counsel, to conclusively interpret these bylaws, apply them to particular circumstances, and adopt policies which explicate them in a reasonable manner.

Section 9.2 - Severability. In the event that any provision of these bylaws is determined to be invalid or unenforceable under any statute or rule of law, then such provision shall be deemed inoperative to such extent and shall be deemed modified to conform with such statute or rule of law without affecting the validity or enforceability of any other provision of these bylaws.

Section 9.3 - Amendment. These bylaws may be amended or repealed only at a meeting of owners, provided that the proposed amendments are stated or fully described in the notice of the meeting at which the amendments are to be adopted.

Appendix:

EXPLANATION OF PATRONAGE REBATE 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. Under bylaw section 8.3, mere acceptance or retention of ownership in the Co-op constitutes a consent to such inclusion in taxable income, including the portion of the patronage dividend that is credited to a revolving capital fund.

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 thus 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.

Note: The Bylaws reproduced above were passed by vote of the owners of the Blue Hill Co-op on May 20, 2007, at a meeting of members assembled largely for that purpose in East Blue Hill, Maine. Sections 2.1 and 3.8 were revised by an ownership vote certified on September, 30th, 2008. Section 4.2 was revised by an ownership vote certified on September 27, 2011.