

# BYLAWS OF LOVETTSVILLE COOPERATIVE MARKET, INC.

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Lovettsville Cooperative Market, Inc. (the “Cooperative”), a cooperative association under the provisions of Article 3 of the Virginia Nonstock Corporation Act (the “Act”) and Article 1 of Chapter 3, “Cooperative Associations,” both Articles being a part of Title 13.1 of the Code of Virginia of 1950, as amended (the “Code”), hereby adopts the following Bylaws of the Cooperative, which shall govern the management and operation of the Cooperative’s business and the regulation of its affairs to the extent consistent with the Cooperative’s Articles of Incorporation and applicable law.

## ARTICLE ONE DEFINITION OF TERMS

Unless otherwise stated in these Bylaws, all of the terms used in these Bylaws which are defined in Section 13.1-803 of the Code shall be deemed to have the meaning set forth in such Section of the Code.

## ARTICLE TWO PURPOSES

The purposes for which the Cooperation was incorporated are to engage in any activity in connection with the operation of a neighborhood grocery store on a cooperative basis. Without limiting the generality of the foregoing, the Cooperative’s purposes include:

- (1) To establish and operate a member owned, full-service grocery store for the benefit of its members and patrons in and around Lovettsville, VA, Brunswick, MD, and the surrounding communities;
- (2) To promote health and sound nutrition by offering a wide range of wholesome foods to our members and patrons;
- (3) To serve our community with information and education about health and nutrition, support local efforts to promote the local food system and assist members and patrons with their food choices;
- (4) To support local agriculture by offering a reliable, year-round wholesale buyer for locally-produced goods and by increasing the availability of food produced within a 150-mile radius of Lovettsville to the maximum extent possible;
- (5) To cooperate with local civic and charitable organizations, (including food banks) to make healthy food available to people in need;
- (6) To inform our members and prospective members about the principles, practices

and benefits of cooperative enterprises; and

(7) To undertake any other activities consistent with the above purposes and permitted by the Code.

### ARTICLE THREE MEMBERS

Section One – Classification of Members. The Cooperative shall have one class of members who shall be voting members. Any adult who purchases membership equity and who has not been removed from membership as provided in Section Three below shall be deemed a Member of the Cooperative.

Section Two – Duties of Members. Each Member shall comply with these Bylaws, as amended from time to time, and such rules and regulations as the Cooperative may establish and revise from time to time.

Section Three – Resignation; Removal. A Member may resign at any time upon written notice to the Cooperative. The Board of Directors may remove a Member if, after 30 days' written notice to the Member of the reason(s) for removal, the Member has not, in the judgment of the Board of Directors, corrected the reason(s) for removal. Any Member who receives such 30-day notice of removal may, within the same 30-day period, request in writing to the Board of Directors an opportunity to be heard by the Board of Directors or its designee. The notice of removal will be suspended until the Board of Directors, or its designee, states, in writing, its decision regarding removal of the Member as soon as practicable following the hearing. Any removal shall be in writing to the Member. Upon resignation or removal, the Member shall nevertheless be obligated to pay any membership obligations, assessments or other charges accrued and unpaid at the time of such resignation or removal. Any patronage of a Member who has resigned or been removed shall not be affected by such resignation or removal and will continue to be carried on the books of the Cooperative.

Section Four – Non-transferability. Membership in the Cooperative shall not be transferable nor assignable.

Section Five – Annual Meeting of Members. The annual meeting of Members shall be held in February at such date and time as set by the Board of Directors. Notice thereof shall be mailed to every Member no less than ten (10) nor more than sixty (60) days before the meeting, or as otherwise required by law. Email notification is acceptable with the Member's prior written, revocable consent. The annual meeting shall include an opportunity to make suggestions and ask questions.

Section Six – Nomination Process for Annual Meeting. Not less than 45 days nor more than 120 days prior to the annual meeting of Members, the Board of Directors shall appoint a Nominating Committee consisting of no fewer than three nor more than five members of the Cooperative. The purpose of the Nominating Committee shall be to prepare a list of eligible and qualified candidates and conduct the election for those Board of Directors positions that need to be filled at the annual meeting. No incumbent member of the Board of Directors or candidate for the Board may be a member of the Nominating Committee.

Section Seven – Special Meeting of Members. Special meetings of the Members may be called at any time by (i) the Board of Directors, or (ii) by the Cooperative upon written petition of at least twenty-five percent (25%) of the Members in good standing. Notice of special meetings shall be mailed to every Member no less than ten (10) nor more than sixty (60) days before the meeting, or as otherwise required by law. Email notification is acceptable with the Member's prior written, revocable consent. Notice of a special meeting shall state the purpose or purposes for which the meeting is called. At least one annual social meeting of Members shall be scheduled by the Board of Directors.

Section Eight – Quorum. Ten percent (10%) of the membership or, if less, 50 members, shall constitute a quorum at any called meeting of the Members, provided that no more than 5% thereof shall be represented by proxy.

Section Nine – Proxy Voting. Proxy voting shall be permitted. All proxies must be in writing, including those electronically scanned and returned

Section Ten. Online Voting. The Board may permit online voting.

#### ARTICLE FOUR BOARD OF DIRECTORS

Section One – Authority. All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Cooperative shall be managed under the direction of, the Board of Directors. Unless otherwise provided by resolution of the Board of Directors, the directors shall have the sole voting power.

Section Two – Duties. Without limiting the general grant of authority in Section One above, the Board of Directors has authority to:

(a) Establish, and revise over time as needed, the Statement of Vision, Mission, and Goals of the Cooperative;

(b) Establish and supervise links between the Cooperative and various sectors of society most relevant to its interests, and ensure official representation of the Cooperative in public settings and proceedings as appropriate;

(c) Oversee and direct the business and affairs of the Cooperative, including hiring and providing guidance to a General Manager;

(d) Provide oversight to overall budget, cash flow, and financial transactions, including audit of the financial records of the Cooperative if required by the Board of Directors;

(e) Develop and/or approve policies governing the Cooperative's financial policies and investments in order to ensure adequate funding for the Cooperative;

(f) Manage the Cooperative's legal affairs, including seeking the advice of legal counsel as appropriate;

(g) Oversee management of the Cooperative's assets;

(h) Establish operating rules, procedures and policies and their enforcement procedures;

(i) Direct the general operations of the Cooperative until such time as a General Manager is hired;

(j) Publish announcements and other communications to the Membership of the Cooperative;

(k) Ensure proper signing, notification, and secure recordation of official actions and business transactions.

Section Three – Number and Qualification. The number of directors shall be no fewer than five (5) and no more than nine (9) at all times, with the exact number to be fixed by resolution of the Board of Directors. One member of the Board of Directors shall be elected by the employee-members.

Section Four – Election and Term. The Board of Directors shall be classified into three classes, with staggered three year terms. At each annual meeting of members, directors in one class shall be elected for a three-year term, except that any director named to fill a vacancy created by the resignation or removal of a director shall serve for the unexpired term of the director whom they are replacing. The terms of office for the existing Board of Directors to transition from two classes and two-year terms to three classes and three-year terms shall be determined by the Board of Directors.

Section Five – Resignation and Removal. A director may resign at any time by delivering written notice to the Board of Directors. A resignation shall be effective when the notice is delivered unless the notice specifies a later effective date.

Section Six – Vacancy. If a vacancy occurs on the Board of Directors between annual meetings, including a vacancy resulting from an increase in the number of directors, the vacancy may be filled by the affirmative vote of a majority of the remaining directors, even though less than a quorum of the Board.

Section Seven – Annual Meeting. The Board of Directors shall meet at least annually in December at such date and time as the Board determines for the purpose of general organization, the appointment of officers, and consideration of any other business that may properly be brought before the meeting. The failure to hold the annual meeting at the time stated herein shall not affect the validity of any corporate action.

Section Eight – Regular or Special Meetings in Addition to the Annual Meeting. Regular meetings of the Board of Directors shall be held at such times as the Board may designate by resolution. Special meetings of the Board of Directors may be called any time by the Chair or, upon the request of any two directors, by the Secretary.

Section Nine – Notice of Meetings. The Secretary or officer performing the Secretary's duties shall give not less than two days' notice by word-of-mouth, mail, facsimile, or e-mail of all meetings of the Board of Directors. The notice shall set forth the purpose(s) of the meeting.

Section Ten – Place of Meetings. Meetings of the Board of Directors, annual, regular, or special, shall be held at such place as the Board of Directors may designate.

Section Eleven – Quorum and Voting. Action may be taken on a matter by the Board of Directors only at a meeting at which a quorum shall be present. A quorum of the Board of Directors shall consist of a majority of the number of directors on the Board. Unless otherwise provided in these Bylaws, if a quorum is present when a vote is taken, the affirmative vote of a simple majority of directors present is the act of the Board of Directors. Whenever applicable law requires the Board of Directors to recommend or approve any proposed corporate act, such recommendation or approval shall not be required if the proposed corporate act is adopted by the unanimous consent of the members.

Section Twelve – Conduct of Meetings. The Chair shall preside over all meetings of the directors. If the Chair is not present, the Vice Chair shall so preside. If none of such officers are present, a chairman shall be elected at the meeting. The Secretary of the Cooperative shall act as secretary of all the meetings if present. If the Secretary is not present, the officer presiding over the meeting shall appoint a secretary of the meeting. The Board of Directors may permit any or all directors to participate in a regular or special meeting by, or conduct a meeting through the use of, any means by which all directors participating may simultaneously communicate with each other during the meeting.

Section Thirteen – Action Without a Meeting. Any action required or permitted to be taken at a Board meeting may be taken without a meeting if the action is taken by all members of the Board. The action shall be evidenced by one or more written consents stating the action taken, signed by each director either before or after the action taken, and included in the minutes or filed with the corporate records reflecting the action taken. Action taken under this Section is effective when the last director signs the consent unless the consent specifies a different effective date, in which event the action taken is effective as of the date specified therein provided the consent states the date of execution by each director. A consent signed under this Section shall have the same effect as a meeting vote and may be described as such in any document.

## ARTICLE FIVE

## COMMITTEES

Section One – Board Committees. The Board of Directors may create one or more Board committees and appoint members of the Board of Directors to serve on them. Each Board committee shall consist of two or more directors, who shall serve at the pleasure of the Board of Directors. Each Board committee may exercise the authority granted to that committee by the Board of Directors, subject to Section 13.1-869(D) of the Code.

Section Two – Meetings. The provisions of these Bylaws which govern meetings, action without meetings, and quorum and voting requirements of the Board of Directors shall apply to Board committees and their members as well.

Section Three – Finance Committee. The Board of Directors shall appoint a Finance Committee, consisting of the Treasurer (if a director) and at least one other director. The Finance Committee shall ensure the integrity of the fiscal systems and appropriate operation of financial transactions of the Cooperative, including:

- (a) To prepare and recommend to the Board for approval an annual budget (to include operating and capital expenditures and revenues) for presentation to the Board of Directors for approval; and
- (b) To regularly and at least quarterly review financial reports;
- (c) To make recommendations to the Board of Directors concerning financial policy, financial development and investment strategies; and
- (d) To recommend to the Board of Directors whether an independent audit is appropriate and, if approved by the Board of Directors, to engage such auditor and, upon completion of the audit, meet with the auditor to review its report and management letter and respond accordingly.

## ARTICLE SIX OFFICERS

Section One – General. The officers of the Cooperative shall consist of Chair, Vice Chair, Secretary, and Treasurer, each of whom must be a director, and such other officers as the Board may appoint. As it is anticipated that a General Manager will be appointed in the future, the responsibility of that officer is described in these Bylaws. All officers shall be appointed by the Board of Directors and shall serve at the pleasure of the Board of Directors

Section Two – Resignation and Removal. An officer may resign from office at any time by delivering written notice to the Board of Directors. A resignation shall be effective when the notice is delivered unless the notice specifies a later effective date. If a resignation is made effective at a later date and the Cooperative accepts the future effective date, it may fill the pending vacancy before the effective date if the officer's successor does not take office until the effective date. The Board of Directors may remove any officer at any time with or without cause.

Section Three – Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise shall be filled by the Board.

Section Four – General Manager. The General Manager shall serve as the chief executive officer, subject to the control of the Board of Directors. The General Manager shall have authority to sign checks, drafts, notes, and all other orders for the payment of money and to sign the corporate name to all deeds, contracts, leases, and other documents of every nature and description. The General Manager shall be deemed the “President” of the Cooperative whenever the use of such title is necessary or appropriate to conduct Cooperative business.

Section Five – Chair. The Chair shall preside at all meetings of the Members and the Board of Directors, discharge all the duties that devolve upon a presiding officer, and perform such other duties as these Bylaws or the Board of Directors may prescribe.

Section Six – Vice Chair. The Vice Chair shall perform all duties incumbent upon the Chair during the absence or disability of the Chair, and shall perform such other duties as these Bylaws or the Board of Directors may prescribe.

Section Seven – Secretary. The Secretary shall attend all meetings of the Members and of the Board of Directors and shall oversee the preparation and maintenance of custody of minutes of the Board of Directors' and Members' meetings and, as appropriate, authenticate records of the Cooperative. The Secretary shall keep or cause to be kept a true and complete record of the proceedings of all meetings. The Secretary shall have such other authority as these Bylaws or the Board of Directors prescribe.

Section Eight – Treasurer. The Treasurer shall perform such other duties as these Bylaws or the Board of Directors may prescribe.

Section Nine – Transfer of Authority. In case of the absence of any officer of the Cooperative or for any other reason that the Board of Directors may deem sufficient, the Board of Directors may transfer the powers or duties of that officer to any other officer or to any director or employee of the Cooperative.

ARTICLE SEVEN  
SPECIAL CORPORATE ACTS  
NEGOTIABLE INSTRUMENTS, DEEDS AND CONTRACTS

All checks, drafts, notes, bonds, bills of exchange, and orders for the payment of money of the Cooperative; all deeds, mortgages, and other written contracts and agreements to which the Cooperative shall be a party; and all assignments or endorsements of registered bonds or other securities owned by the Cooperative, shall be signed by such officers as the Board may from time to time direct. The Board of Directors may authorize any one of its officers to sign any of such instruments, for and in behalf of the Cooperative, without necessity of countersignature; may designate officers or employees of the Cooperative, other than those named above, who may, in the name of the Cooperative, sign such instruments; and may authorize the use of facsimile signatures of any of such persons.



ARTICLE EIGHT  
CONFLICTS OF INTEREST

**A potential conflict of interest exists whenever a Director could reasonably anticipate that an action taken by the Board, Committee or Task Force might financially benefit 1) any interest of a relative by blood or marriage of the Director; 2) any interest of a business or organization of which the Director is an officer, member, employee, director, partner, stockholder, or beneficial owner; or 3) any goal or objective sought by the Director other than a disinterested concern for the benefit of the Cooperative as a whole.**

Directors shall be under an obligation to disclose their actual or potential conflicts of interest in any matter under consideration by the board. Directors having such a conflict shall absent themselves from discussion and decision of the matter unless otherwise determined by the Board. Directors may not do business with the Cooperative except in the same manner as other owners generally do business with the Cooperative or under other conditions that are procedurally defined to avoid preferential treatment.

ARTICLE NINE  
PATRONAGE

The Cooperative shall account annually to all Members for all net profits, maintaining reasonable reserves for the Cooperative. The allocation of these earnings among Members shall be on the basis of each Member's patronage with the Cooperative, as determined by the Board of Directors in its reasonable discretion.

ARTICLE TEN  
CORPORATE SEAL

The corporate seal, if any, shall be in such form as shall be approved by the Board of Directors.

ARTICLE ELEVEN  
FISCAL YEAR

The fiscal year of the Cooperative shall be the calendar year.

ARTICLE TWELVE  
EMERGENCY BYLAWS

In the event that a quorum of the Cooperative's Board of Directors cannot readily be assembled because of some catastrophic event, the Board of Directors of the Cooperative may, consistent with Section 13.1-824 of the Code, adopt other bylaws to be effective only in such an emergency, which bylaws shall provide procedures for calling a meeting of the Board of Directors, quorum requirements for the meeting, and designation of additional or substituted directors as well as other provisions necessary for managing the Cooperative during such emergency. All provisions of these Bylaws consistent with such emergency bylaws shall remain effective during such emergency. Such emergency bylaws shall not be effective after such

emergency ends. Corporate action taken in good faith in accordance with such emergency bylaws shall bind the Cooperative and may not be used to impose liability on a director, officer, employee, or agent of the Cooperative.

ARTICLE THIRTEEN  
AMENDMENTS

These Bylaws may be amended or repealed by the members or the Board of Directors at any regular or special meeting. Except as provided by Section 13.1-624 of the Code, any Bylaw adopted or amended by the Members may be amended or repealed by the Board of Directors unless the resolution of the Members adopting such Bylaws expressly provides that the Board of Directors may not amend or repeal such Bylaw and such resolution does not violate Section 13.1-624 of the Code.

ARTICLE FOURTEEN  
IMPLIED AMENDMENTS

Any action taken or authorized by the Members or the Board of Directors which would be inconsistent with the Bylaws then in effect, but is taken or authorized by the affirmative vote of not less than the number of Members or directors that would be required to amend these Bylaws so that the Bylaws would be consistent with such action, shall be given the same effect as if these Bylaws had been temporarily amended or suspended to the extent necessary to permit the specific action so taken or authorized.

ARTICLE FIFTEEN  
DISSOLUTION

The Cooperative may be dissolved upon a decision of the Board and a two-thirds (2/3) vote of the members who participate in the vote. Upon dissolution of the Cooperative, its assets shall be distributed in the following manner and order: (i) by paying or making provision for payment of all liabilities and expenses of liquidation; (ii) by redeeming outstanding patronage equity accounts which, if they cannot be paid in full, shall be paid on a pro rata basis or as otherwise determined to be equitable by the Board of Directors; (iii) by redeeming the capital contributed by members to purchase their membership interests which, if they cannot be paid in full, shall be paid on a pro rata basis or as otherwise determined to be equitable by the Board of Directors; and (iv) by distributing any remaining assets to members and former members on the basis of their patronage over an historical period as determined by the Board to be equitable.

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