

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.

BY-LAWS

Effective _____, 2007

(Approved by Co-Op Board 8/29/07)

LITTLETON CONSUMER COOPERATIVE SOCIETY, INC.
Bylaws

The following are bylaws of the Littleton Consumer Cooperative Society Inc. (the “Co-op) a New Hampshire non-profit cooperative formed under the New Hampshire Consumer’s Cooperative Associations act, RSA 301-A (the “Act”). Terms not defined herein shall have the naming given them in the Act.

ARTICLE I. Government

The business of the Co-op shall be conducted in accordance with the following cooperative principles as promulgated by the International Cooperative Alliance:

1. Voluntary and Open Membership. Without gender, social, racial, political, or religious discrimination.
2. Democratic Member Control. One vote for each member.
3. Member Economic Participation. Members contribute equitably to the capital of the Co-op and decide how to allocate any surplus income.
4. Autonomy and Independence. No agreements with outside entities that fail to ensure democratic control of the Co-op by its members.
5. Education, Training, and Information. So members, directors, and employees can contribute to the development of the Co-op and inform the general public about the nature and benefits of cooperation.
6. Cooperation among Cooperatives. Strengthening the cooperative movement by working together through local, regional, national, and international alliances.
7. Concern for Community. By working to assure it thrives and is developed sustainably.

ARTICLE II. Business Practices

Section 1. Name of Store. The main store operated by the Co-op shall be known as LITTLETON CO-OP, which name shall be acceptable on bills and checks and informal business transactions.

Section 2. Branch Stores. The Co-op may operate other stores or enterprises as branches of the Littleton Co-op.

Section 3. Sales to Organizations. The General Manager may approve short-term accounts to organizations, but these accounts must be cleared monthly.

Section 4. Sales to Non-Members. Non-members may purchase goods from the Co-op.

ARTICLE III. Membership

Section 1. Membership Defined. The members of the Co-op shall be the holders of its shares of capital stock.

Section 2. Becoming a Member; Subscribers. A person or organization may become a member of the Co-op by the following methods:

- a. By purchase of four or more shares of stock.
- b. By inheritance of four Co-op shares.
- c. By gift of four shares of Co-op stock.
- d. Persons or parties that purchase fewer than four (4) shares of stock shall be considered subscribers for membership. A subscriber shall not be entitled to any rights of members until such time as the subscriber has acquired four (4) shares of stock. Patronage refunds for subscribers shall be treated in the same manner as any members.

Section 3. Limitations on Membership.

- a. No member less than eighteen (18) years of age shall be eligible to hold office in the Co-op.
- b. Where two or more persons own shares as joint tenants or tenants in common, they shall be treated as one member and shall be entitled to only one vote and one accredited delegate to membership meetings. Each shall be a fully qualified member of the Co-op independently of any others, providing that none of the expressed limitations of these Bylaws applies to either tenant and there are at least four shares for each shareholder.
- c. Organizations holding membership shall be entitled to only one vote and one accredited delegate to membership meetings.

Section 4. Withdrawal from Membership. Membership shall automatically be withdrawn when the member's shares have all been transferred. (See Article IV, Section 6, Article IV, Section 7.)

Section 5. Expulsion from Membership. A member may be expelled from the Co-op by the Board of Directors if the member's activity in the Association is contrary to basic consumer cooperative principles or endangers the effective operation of the Co-op, and as set forth in RSA 301-A:20.

Section 6. Membership Roll. A list of the members with their addresses shall be kept by the Secretary or General Manager.

Section 7. Presentation of Bylaws. A copy of these Bylaws shall be made available to each member.

Section 8. Rights of Members. Every member shall have an equal right to participate and to vote in regular and special meetings (see Article VI), to attend any general meeting of the Board of Directors or of a committee (as provided in Article VII, Section 5 below), and to share in the distribution of savings as provided in these Bylaws.

Section 9. Shares Non-assessable. No member of this Co-op may be held liable for the debts of the Co-op beyond amounts credited towards membership shares.

Section 10. Constructive Consent by Members. In order that patronage refunds shall qualify as federal income tax deductions for the Co-op, its members must be deemed to have given their consent to the following treatment of these funds: Each person who hereafter is accepted to membership in the Littleton Consumer Cooperative Society, Inc., and each member of this cooperative on the effective date of this Bylaw who thereafter continues as a member shall, by that act alone, consent that the amount of any distributions with respect to patronage occurring after February 24, 1966, which are made in written notice of allocation (as defined in 36 U.S.C. §1388) and which are received from the Co-op, will be taken into account at their stated dollar amounts in the manner provided in 26 U.S.C. 1385(a) in the taxable year in which such written notices of allocation are received.

ARTICLE IV. Capital

Section 1. Fiscal Period. The business period of the Co-op shall be a 52 or 53 week fiscal year beginning on January 1 in a given calendar year and ending on December 31 of that same calendar year.

Section 2. Sources of Capital Funds. The capital funds of the Co-op shall be composed of

- a. the funds paid in by the members for capital stock;
- b. the accumulated surplus savings from its business;
- c. income from its properties and other assets; and
- d. donations.

Section 3. Share Capital. Authorized share capital of the Co-op shall be as provided in the Co-op's Certificate of Organization.

Section 4. Shareholders. Each person or organization before admittance into membership of the Co-op shall subscribe for a minimum of four (4) shares of its capital stock and shall make full

payment at that time for at least one share. A certificate of shares in the Co-op shall be issued to each member on the full payment for said shares of capital stock, such certificates to be numbered and registered as issued and to contain the shareholder's full name and the number of shares purchased. Certificates shall be signed by the President and Treasurer by hand or by facsimile signature and shall be impressed with the seal of the Co-op. A record of members and the outstanding stock shall be kept by the Secretary in a stock book for that purpose.

Section 5. Dividends. Dividends may be payable in accordance with the terms of Article 11 of the Co-op's Certificate of Organization.

Section 6. Transfer or Repurchase of Shares. Members desiring to dispose of shares must first offer them in writing to the Co-op through the Board of Directors, which is authorized to redeem all or some of the shares at a price not exceeding their par value or book value, whichever is less. The duration of the option of the Co-op to repurchase shall be sixty (60) days after receipt of the member's written offer notice, after which the member shall have the right to dispose of them to any person subject to the approval of the transferee by a majority vote of the Board of Directors. Transfers of the shares of the Co-op shall not be binding until made upon its books, and no transfers shall be completed until the old certificate or certificates have been endorsed and surrendered and a new certificate has been issued in the name of the purchaser.

Section 7. Abandonment of Interest. A member's interest may be deemed abandoned under the terms of RSA 301-A: 28-a, as it may be amended from time to time. That section currently provides as follows: "If net savings or dividends have not been claimed by a member or patron for 5 years, the member or patron has not corresponded with the association in writing within 5 years, and the current address of the member or patron is unknown, the association shall make a good faith effort to locate the member or known mailing address, and notice published in a newspaper of general circulation in the community of the association's primary activity. If the association does not receive a response from the member or patron within 90 days of its location efforts, all net savings, dividends, and membership interests attributable to the member or patron shall be presumed to be abandoned, and the net savings and dividends shall be placed in the reserve fund and the membership interest shall revert to the association."

Section 8. Lien on Capital. The Co-op shall have an absolute lien on the share or loan capital, and on the interest due thereon, of any member or any subscriber to share capital for debts owned by said member or subscriber to the Co-op.

Section 9. Loan Capital. The Co-op may borrow money from its members or from non-members in such amounts and upon such terms, with respect to interest, maturity, security, and otherwise, as the Board of Directors may determine.

Section 10. Reserve Fund. This fund shall consist of an annual allotment of not less than ten percent (10%) of the net savings or earnings of the Co-op for each year, contributions from individuals, confiscated capital of removed, expelled or abandoned members, and any other funds appropriated to it by action of the Board of Directors or the general membership meetings; provided however, that in the event that said reserve fund exceeds thirty percent (30%) of both the paid-in and subscribed capital determined as of the end of the fiscal year, then the annual

allotment to the reserve fund shall be determined by the Board of Directors. The reserve fund may be used in the general conduct of the Co-op's business, including without limitation for the purpose of unforeseen losses due to extraordinary depreciation of equipment, fire, theft, or other causes, for the extension of the Co-op as a consumer cooperative, or for any program of social welfare or insurance or other development directly associated with the cooperative movement as shall be decided by a general meeting of the membership. The reserve fund shall be the indivisible property of the Co-op as a whole and shall not be depleted by payment of patronage refunds. The amounts apportioned to the reserve fund may be allocated on the books of the Co-op on a patronage basis, or as determined by the Board of Directors.

As used herein, "net savings" shall have the meaning given it under the Act, to wit it shall mean the total income of the Co-op minus the costs of operation.

ARTICLE V. Distribution of Net Savings

Section 1. Determination of Net Savings. Within ten weeks after the end of each fiscal year the difference between the gross receipts, from whatever source, and the total cost of doing business, including interest cost, shall be determined by a Certified Public Accountant selected by the Board of Directors and having no material financial interest in the Co-op (material financial interest shall not include a membership interest in the Co-op). This difference will be designated as the net savings for the year.

Section 2. Division of Net Savings. Following the close of each fiscal year the net savings for the year shall be divided in the following manner and order, until it has been entirely divided:

- a. An amount for the reserve fund, as determined pursuant to Article IV, Section 10. An appropriate portion of the net savings also shall be set aside for the payment of income taxes on the amount so reserved.
- b. Amounts, if any, in payment of non-cumulated dividends, as determined.
- c. Five percent (5%) of the remaining net savings may be allocated to an education reserve, as determined by the Board of Directors.
- d. The balance of the net savings, after deduction of reserves, dividends and income taxes thereon, shall be distributed as patronage refunds in accordance with Section 4 of this Article, subject to the limitation that the patronage refund rate shall not exceed the rate of net savings, expressed as a percent of gross receipts, from whatever source.
- e. Any residue of the net savings, after compliance with the preceding provisions of this section, shall, after deduction of income taxes on it, be allocated to the reserve fund.

Section 3. Patronage Records. The Board of Directors shall determine a process by which accurate records may be kept of each member's and subscriber's patronage of the Co-op for the purpose of determining patronage refunds and other purposes. The Board of Directors shall give

sufficient notice in the Co-op's publications and in the Co-op's stores of the process to the Co-op's members and subscribers, as the Board of Directors may from time to time determine.

Section 4. Manner of Distribution of Patronage Refunds. The patronage refund payable to each patron shall be that fraction of the total amount available for patronage refunds as determined (under Section 2 of this Article) that the sum of the purchases actually made by the patron bears to the sum of all such purchases.

In the case of non-member patrons, their respective proportionate amount of patronage refunds shall be set aside in a non-member savings return reserve for such patrons, and shall be allocated to individual non-member patrons only upon request and presentation of evidence of the amount of their patronage. Any such patronage refund so allocated shall be credited to such patron toward payment of the minimum amount of share capital necessary for membership. When a sum equal to this amount has accumulated at any time within a two-year period, such patron shall be deemed and become a member of the Co-op if the patron so agrees or requests, and complies with all other provisions for admission to membership. The certificates of shares to which the patron is entitled shall then be issued to the patron. If the patronage refund accrued during the two-year period does not amount to the minimum required to purchase one full share in the Co-op, the patronage refund shall be deemed forfeited to the Co-op, and shall be placed in the Co-op's reserve fund.

If, in the discretion of the Board, distribution of patronage refunds in cash would injuriously deplete the working capital of the Co-op, it shall be the right of the Board to decide that payments be made in the form of certificates of indebtedness or in the form of credit to be applied against such certificates of indebtedness later to be issued, or that up to fifty percent (50%) of the distribution be made in the form of credits toward shares of capital stock. The Board may pay patronage refunds in the form of merchandise certificates redeemable in trade with any Co-op store. A member may decide that said patronage refund be paid in the form of credit toward purchase of shares of capital stock.

If a member redeems the shares necessary for membership in the year acquired, the member will not be entitled to patronage refunds for the year in which the shares are sold. A member may repurchase four (4) shares before the calculation of the next patronage refund and be reinstated to full membership rights.

ARTICLE VI. Membership (Stockholders) Meetings

Section 1. Membership Control. The final authority to make and change the Bylaws of the Co-op shall be vested in the members, to be exercised by them as provided in these Bylaws. The members shall elect a Board of Directors to administer the affairs of the Co-op.

Section 2. Annual Meeting. Each year the Annual Meeting of the Co-op shall be held within four (4) calendar months following the end of the immediately preceding fiscal year.

Section 3. Special Meetings. Special meetings may be called by a majority vote of the full Board of Directors and must be called whenever a petition therefor signed by at least ten (10) percent of the members is presented to the Board.

Section 4. All Meetings. For the purposes of these bylaws, a Membership Meeting , including the Annual Meeting, shall last for a period of at least three (3), but no more than fifteen (15), days, during which period ballots may be cast as provided in these Bylaws. All meetings shall provide for an assembly of members (of more limited duration) in person to receive the report(s) of the Co-op. The duration of a meeting and the date, time, and place of the assembly of members shall each be determined by the Board of Directors.

Section 5. Notice; Meeting Notice. The Co-op may provide notice to its members for any matters requiring member attention under these bylaws by paper or electronic means, including facsimile or electronic mail, and if so provided, shall be sent to the last known facsimile or email address provided to the Co-op by the Member. Members are responsible for providing the Co-op with current information for notice purposes. Notice of membership meetings shall be provided to all members at their last known address at least five (5) days prior to the beginning of the meeting or at such earlier time as may be required by law or Article IX.

Section 6. Quorum. In order for any action to carry, the lesser of (i) twenty percent of the Members by number, or (ii) two hundred (200) ballots, as certified by the Board, must be received by the end of the meeting. No minimum number of Members need be present in person at an assembly of members. Members may be provided ballots by paper or electronic copy. Members may elect to vote by returning ballots by electronic means, and shall be bound by any voting returned in this manner

Section 7. Rights and Limitations of Membership. Members have the right and responsibility to elect Directors; to recall any member from the Board of Directors, committees, or any other office of the Co-op; to receive and act on the reports of officers and the General Manager and Board committees; to act on recommendations submitted by the Board of Directors; and to enact and amend the Bylaws and amend the Certificate of Organization of the Co-op as herein provided.

Section 8. Voting. With the exception of a motion to amend these Bylaws or the Certificate of Organization or any other matter required by law, the majority vote of the members voting shall decide upon all business, including disposition of any patronage refund. Action on all matters including election of Directors shall be by ballot at the assembly of members or by absentee ballot during the meeting. At the discretion of the Board, ballots may be made available to be picked up by members at designated locations. Ballots shall be mailed (in paper or electronic media) to each member and returned by mail or by hand to the location designated (in any case the ballot is to be received by the Secretary of the Co-op by the date specified) or at the designated membership assembly. Each member shall have one vote on all voting occasions, and never more than one vote and there shall be no voting by proxy. Ballots shall be mailed out to Members (or made available for pick up) at least five (5) days prior to the beginning of the meeting. To be counted, ballots must be received by mail, by deposit at designated sites within the stores or at the assembly of members, or by electronic means, as set up for that purpose, prior

to the end of the meeting. To be counted, a ballot must also meet certification standards set by the Board of Directors to ensure confidentiality, authenticity, and validity.

Section 9. Conduct of Meetings. Except where the Bylaws and Articles of Agreement otherwise provide, Robert's Rules of Order, as revised, shall govern.

ARTICLE VII. Board of Directors

Section 1. Composition of the Board and Election of Officers. Only members of the Co-op may serve on the Board of Directors. The administration of the Co-op shall be vested in a Board of Directors, consisting of up to nine (9) members whose three year terms shall be staggered so as to provide continuity. Directors shall be elected by the membership during the Annual Meeting of the Co-op. After the conclusion of the voting by the membership for the Board of Directors, the Directors shall elect the officers. The officers shall be the President, Vice President, Secretary, and Treasurer. Directors and officers shall serve until their successor is elected and qualified, as provided by law, these Bylaws, or the Certificate of Organization.

Section 2. Employees as Directors. Employees of the Co-op who are members of the Co-op, except those who report to the Board or directly to the General Manager, may run for and serve on the Board but shall not be eligible to serve as an officer of the Board. Employee Directors shall have the same responsibilities, term, and voting privileges as the other Directors with the exception that employee Directors shall not participate directly in evaluation of the General Manager or in determination of his/her compensation. Employee Directors may participate in executive sessions at the discretion of a majority of the non-employee Directors present and voting. No more than two employees shall serve on the Board at any one time.

Section 3. Responsibilities of the Directors and Disqualification of Directors. Directors of the Co-op shall take care to properly discharge their responsibilities to the Co-op. If, in the opinion of a majority of the full Board, there is a reasonable demonstration that any Director is not properly discharging his or her responsibilities to the Co-op, that Director may be removed from the Board of Directors by a vote of three-quarters of the full Board. Alternatively, a majority of the full Board may call a special meeting of the members to consider and decide whether that Director should be removed from the Board.

Section 4. Vacancies. The Board of Directors may fill by appointment any vacancy in an elective office. Such an appointee shall hold office only until the next Annual Meeting, when the position shall be filled by election.

Section 5. Duties. The Board of Directors shall administer all business carried on by or on account of the Co-op. Regular meetings of the Board, on the call of the President and with due notice to the Directors and members, shall be held at least quarterly. A majority of Directors shall form a quorum. The Directors may arrange themselves into committees. Any member of the Co-op may attend any meeting of the Board of Directors or of a committee as an observer, and may upon invitation of the Chair participate in its discussions, except that closed executive sessions, solely for discussion of a specified subject, may be ordered by a two-thirds vote of a

quorum. All binding decisions of the Board and its committees shall be made by recorded votes in open sessions.

The Board shall convene the membership meetings of the Co-op. The President or any four (4) Directors may call a special Board meeting by giving two days' written notice to the Secretary, specifying the object thereof. At the discretion of the President, when necessary to transact urgent business, special meetings of the Board may be conducted by telephone. Directors must otherwise be present to vote or otherwise to participate in meetings of the Board.

The Board shall act for the Co-op and be responsible for:

- a. Engaging a General Manager of its business and determining his or her duties, responsibilities and compensation.
- b. Providing suitable accommodations, machinery, and plant to conduct the business of the Co-op.
- c. Insuring that the business is conducted in accordance with these Bylaws.
- d. Controlling all investments.
- e. Securing the soundness of the business of the Co-op by providing that all officers and employees having custody of the funds or goods shall each give sufficient bond with corporate surety.
- f. Providing the best possible conditions of employment in the service of the Co-op, and for requiring efficiency, faithfulness, and diligence on the part of the staff.
- g. Maintaining a direct and vital connection with other cooperative organizations.
- h. Fostering a spirit of enthusiasm for cooperative effort, in the staff and among the members of the Co-op, and for encouraging them to identify themselves with every good feature of cooperative endeavor.
- i. Determining special committees of the Co-op and designating their chairpersons, who shall select the additional members of such committees, subject to the approval of the Board of Directors. Such committees of the Co-op shall serve for one year unless otherwise specified.

Section 6. Executive Committee. Ordinarily, the President, the Vice-President, the Treasurer, and the Secretary shall constitute the Executive Committee of the Board of Directors. Whenever necessary, however, other members of the Board may be elected or appointed to this committee in their stead. The Executive Committee shall meet as required to act on current business between regular meetings of the Board. The decisions of the Executive Committee shall be reported to the next Board meeting and shall be subject to the approval of the Board as a whole.

Section 7. Indemnification. The Co-op shall indemnify or reimburse its current and former directors for all claims and liabilities including reasonable expenses and attorney's fees, to which they may be subject by reason of their positions with the Co-op or by reason of service as a Director or officer of another corporation at the request of the Co-op. Indemnification or reimbursement shall not, however, be made if it is determined that such persons did not act in good faith or in the reasonable belief that their actions were in the best interest of the Co-op. If this determination is not made in a legal proceeding related to the claim, it may be made by a quorum of disinterested Directors. If not made or able to be made by either, the determination shall be made by independent legal counsel. The foregoing shall not be exclusive of any other rights to which Directors and officers may be lawfully entitled.

ARTICLE VIII. Duties of Officers, Committees and General Manager

Section 1. President. The President shall preside at all membership and Board of Directors meetings, sign and execute all certificates of stock together with the Treasurer, sign such other documents as required in behalf of the Co-op, and shall perform any other duties required by the Board. All contracts not executed by the General Manager in the ordinary course of business shall be signed by the President and countersigned by the Secretary or another member of the Board.

Section 2. Vice-President. The Vice-President shall perform the duties of the President when the President is unable to do so. Should the President and the Vice-President both be absent from a membership or Board meeting, the Officers and Directors present shall elect one from among themselves to chair the meeting.

Section 3. Secretary. The Secretary shall attend all meetings of the membership and the Board of Directors and be responsible for recording the names of all Directors present, all votes and proceedings of each meeting, and the minutes of their proceedings, or designate such a person to do so. All contracts approved and entered into by the Board shall be countersigned by the Secretary or another member of the Board. The Secretary shall be responsible for all correspondence, and keep the records, documents and other papers of this Co-op in such a manner and for such purposes as the Board may require.

Section 4. Treasurer. The Treasurer shall attend all meetings of the membership and of the Board of Directors; shall be responsible for overseeing the financial condition of the Co-op; shall sign with the President all certificates of stock; shall review with the Board at least quarterly a Statement of Income and Expense and a Balance Sheet, and keep the Board informed of the financial status of the Co-op by monthly reports at the regular meetings of the Board prepared either by the Treasurer, the General Manager, or the designee of the General Manager. The Treasurer shall review the Annual Budget as developed by the General Manager and make recommendations to the Board of Directors as to its appropriateness.

Section 5. Committees. The Board of Directors may appoint such committees as it deems necessary for the conduct of the Co-op's business, which committees shall have such duties and responsibilities delegated to them by the Board of Directors.

Section 6. General Manager. The General Manager is directly responsible to the Board of Directors for the administration and supervision of the business of the Co-op.

ARTICLE IX. Amendments

The Bylaws and Certificate of Organization may be amended by a two-thirds vote of the members voting at a regular or special meeting of the members. A committee, appointed by the President with the approval of the Board of Directors, shall review all proposed amendments in order to render their wording consistent with the Certificate of Organization and Bylaws of the Co-op and with the Act. At least thirty (30) days before the voting period called to consider an amendment, the proposed amendment shall be provided to all members of the Co-op together with explanation of the manner and time by which votes must be submitted.

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