

[As approved at the Annual Meeting
of Owners on 12/18/2013]

BYLAWS
OF
GRANITE CITY COOPERATIVE

Article I
Organization

Section 1.1 - **Status.** Granite City Cooperative (referred to in these bylaws as "the Co-op") is a cooperative association incorporated under the Cooperative Marketing Act of the State of Vermont.

Section 1.2 - **Purpose.** As more fully stated in its articles of incorporation, the Co-op is organized and shall be operated for the primary and mutual benefit of its owners as ultimate consumers. The Co-op shall be operated exclusively on a cooperative and nonprofit basis.

Section 1.3 - **Cooperative principles.** The Co-op shall be operated in accordance with the cooperative principles adopted by the 1995 General Assembly of the International Co-operative Alliance, including: (i) voluntary and open membership; (ii) democratic member control; (iii) member economic participation; (iv) autonomy and independence of the Co-op; (v) providing education, training and information; (vi) cooperation with other cooperatives; and (vii) concern for community.

Section 1.4 - **Nondiscrimination.** The Co-op shall not arbitrarily discriminate on the basis of race, nationality, religion, age, gender, sexual orientation, political affiliation, or otherwise.

Article II
Ownership

Section 2.1 - **Eligibility and admission.** Ownership in the Co-op shall be voluntary and open to any household or any group organized on a cooperative or nonprofit basis whose purpose is to facilitate access to

consumer goods and services and to accept the responsibilities of ownership. Applicants will be admitted to ownership upon submitting required information, including designation of a primary owner in the case of a household and authorized agent in the case of an organization, and complying with the share purchase requirement. On or before admission to ownership each owner shall be provided a copy of these bylaws. If, within six months after the date of application, any doubts arise concerning eligibility the application for ownership shall be subject to approval by the Board.

Section 2.2 - **Share purchase requirement.** Owners shall be required to purchase or agree to purchase not less than one nor more than nine shares at their issuing price as determined by the Board of Directors. The share purchase requirement may be paid in installments to accommodate applicants who express a need to do so.

Section 2.3 - **Rights.** Each member of an owner household or agent of an owner organization shall be entitled to make purchases from the Co-op for its own use or consumption on terms generally available to owners. Except as otherwise set forth in these bylaws, the primary owner of an owner household and the authorized agent of an owner organization shall be entitled to participate in the governance of the Co-op. Owners shall be entitled to receive reasonably adequate and timely information as to the operational and financial affairs of the Cooperative. Except as otherwise required by these bylaws, persons who have subscribed for but not fully paid the share purchase requirement shall be considered owners.

Section 2.4 - **Responsibilities.** Each owner shall keep reasonably current in payment of the share purchase requirement, shall make purchases from the Co-op on at least an occasional basis, and shall notify the Co-op of any change to the name or address of the owner.

Section 2.5 - **Inactive status.** An owner who becomes delinquent by one month in meeting the share purchase requirement, or who fails to patronize the Co-op for a period of one year, shall be placed into inactive status. His or her participation rights shall then be suspended. An owner in inactive status may attain good standing upon recommencing payment of financial obligations or reestablishing a patronage relationship with the Co-op. Except as otherwise provided herein, references in these bylaws to the rights and entitlements of owners shall be understood to refer to owners in good standing.

Section 2.6 - **Access to information.** An owner shall, upon request that is made in good faith, be provided specific 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 of Directors to be necessary to protect information that is of a confidential or sensitive character. To protect the privacy of owners any proper request necessitating information from the Co-op's records of owners shall whenever possible be accommodated by means other than direct access to such records.

Section 2.7 - **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 2.8 - **Limited transferability.** Following termination of ownership, or at any time as to shares held in excess of the minimum amount, the Co-op will upon request of the owner transfer the carrying value of ownership rights and interests, including shares and deferred patronage dividends, net of any authorized offsets, to the credit of another person designated by the requesting owner, provided that the transfer is for a price that does not exceed the carrying value of such rights and interests and that the person so designated is or becomes an owner of the Co-op. Ownership rights and interests may not otherwise be sold, assigned, or transferred. Any attempted transfer contrary to this section shall be wholly void and shall confer no rights on the intended transferee.

Section 2.9 - **Withdrawal and expulsion.** An owner may withdraw at any time upon notice to the Co-op. An owner may be expelled by the Board for cause, not including delinquency in payment of the share purchase requirement, after being 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 an annual report as described in section 9.2 below, to elect directors, 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 President as soon as practicable after the receipt of petitions signed by not less than ten percent of all owners, such petitions stating any proper business to be brought before the meeting.

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

Section 3.4 - **Notice.** Written notice of the time and place of an in-person meeting, and the purpose or purposes of any meeting shall be provided to each owner not less than fifteen nor more than sixty days before the date of the meeting. Any business conducted at a meeting other than that specified in the notice of the meeting shall be of an advisory nature only.

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 and to vote with respect to the subject of such notice.

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

Section 3.7 - **Voting.** Each owner shall have one and only one vote on each matter submitted to a vote of owners irrespective of the number of shares owned or subscribed for. Voting by proxy shall not be permitted. 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 - **Voting by written ballot.** Owners may, as authorized by the Board, vote by written ballot delivered to the Co-op. 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 manner that reasonably secures the privacy of owners and the integrity of the voting process. In the case of balloting in connection with a meeting of owners, casting of a written ballot shall be equivalent to presence in person at a meeting with respect to the subject of the written ballot, and ballots shall be counted together with votes cast at the meeting, if any. In the case of balloting separate from a meeting, voting by ballot shall for all purposes be considered a meeting of owners.

Section 3.9 - **Issues submitted by owners.** Notices of a meeting of owners shall include any proper issue submitted by petition of not less than five percent of all owners. Petitions must be received by the Co-op not less than seventy-five 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 supervision of the Board of Directors (sometimes referred to in these bylaws as "the Board"). Such powers shall reside exclusively in the Board as a deliberative body; they may reside in individual directors only to the extent explicitly so delegated by the Board. The duties of the Board shall include, but not be limited to, overseeing the operations and finances of the Co-op, establishing policies to govern operational decisions, engaging a general manager and monitoring and evaluating his or her performance, securing good conditions of employment, and assuring that the purpose and mission of the Co-op are properly carried out.

Section 4.2 - **Number and qualifications.** The Board shall consist of not less than seven nor more than eleven individuals, as determined by the Board by reason of the workload of the Board and the availability of qualified candidates. To be qualified as a director a person shall be a *bona fide* member of a household or the authorized agent of an organization that has been an owner for at least six months prior to the commencement of the

election of directors, shall not be an employee of the Co-op, and shall not, on the basis of a reasonable belief supported by evidence, have a personal agenda with respect to the Co-op, or have an antagonism against the Co-op, or have an overriding conflict of interest with the Co-op, or otherwise be disinclined to act in the best interests of the Co-op.

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 seventy-five days before the date of the annual meeting. Directors shall be elected by owners. At or in connection with the first annual meeting after adoption of these bylaws and periodically thereafter as may be necessary, directors shall be elected for specific one or two year terms in order to assure that approximately half of the terms expire in each year. At other times directors shall be elected for terms of two years. Unless otherwise determined by the Board or by the candidates, candidates receiving the highest number of votes shall be given the longest available terms. Directors shall hold office until their successors are elected or until their offices are sooner terminated in accordance with these bylaws.

Section 4.4 - **Compensation.** Directors may 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 conflicts of interest--whether direct or indirect, actual or perceived, without regard to degree of severity--at the commencement of consideration of any matter by the Board or by a committee, and such interest shall be made a matter of record in the minutes or notes of the meeting. A director or member of a committee having such an interest shall be permitted to make a statement with regard to the matter but shall not be permitted to participate in the discussion or decision of the matter.

Section 4.7 **Indemnification.** The Co-op shall indemnify its directors and officers as required by, and may indemnify its directors and officers as permitted by, state 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 Coop.

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 vote of owners, provided the accused director is accorded fair notice of the charges and an opportunity to respond in person or in writing. A director who is absent from three consecutive Board meetings or four meetings in any one-year period shall, unless excused by the Board for good cause, be presumed to have resigned.

Section 4.10 - **Vacancies.** Any vacancy among directors occurring between annual meetings may be filled by the Board until the next annual or special meeting of owners, at which time owners shall elect a director to fill the unexpired term.

Article V Meetings of the Board

Section 5.1 - **Convening.** Meetings of the Board, including meetings conducted by electronic means whereby all participants can hear each other at the same time, shall be held no less frequently than once in each two-month period. Meetings may be called by the Board or by the President and shall be called by the Secretary upon request of any three directors.

Section 5.2 - **Notice.** Meetings called by the Board shall require no notice, it being the responsibility of absent directors to inquire as to the time of further scheduled meetings. Other 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 days 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 and voting.** 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. Decisions at meetings of the Board shall be made by majority voting unless a higher percentage is required by law or by these bylaws.

Section 5.5 - **Referendum.** Any action of unusual significance taken by the Board shall be referred to a meeting of owners for approval or disapproval if demanded within ten days of such action by any three directors. Such meeting shall be called by the Secretary as soon as practicable.

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. Principal officers shall be directors. 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 annual meeting of owners. 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, preparing proposed agendas for meetings, assuring the orderly conduct of all meetings, maintaining effective communication with the general manager, and shall present a report of operations at the annual meeting of owners.

(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 the recording and keeping of adequate minutes of all meetings of the Board and of owners, overseeing the issuance of notices required under these bylaws, and authenticating records of the Co-op.

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

Article VII Shares

Section 7.1 - **Issuance and terms.** The Co-op shall issue shares to evidence capital funds provided by owners. Shares may be issued only to persons eligible for, and admitted to ownership in, the Co-op. The issuing price of shares shall be not less than their par value per share of one hundred dollars. Shares shall be considered issued upon full payment of no less than their issuing price and need not be evidenced by certificates. Shares shall be entitled to no dividend or other monetary return on capital. The minimum share purchase requirement shall be subject to increase for the reasonable capital needs of the Co-op, provided that such increase applies equally to both existing and newly-admitted owners.

Section 7.2 - **Redemption.** Upon request following termination of ownership, or at any time with respect to shares held in excess of the minimum amount, shares shall be redeemed when replacement capital is provided by other owners. Shares 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. Redemption proceeds shall be subject to offset by amounts due and payable to the Co-op by the owner. 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.

Article VIII

Patronage dividends

[This article shall become effective on the first day of the first fiscal year on which the Co-op shall have a functioning point-of-sale system.]

Section 8.1 - **Distribution obligation.** The realized net earnings of the Co-op attributable to the patronage of owners shall be allocated and distributed among owners 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. Unless otherwise required under federal tax law all of the operations of the Co-op shall be netted into a single allocation unit.

Section 8.2 - **Reductions.** Any distributable net earnings of such a nominal amount as not to justify the expenses of distribution may, as determined by the Board, be excluded from distribution. Net earnings may be reduced by such reasonable reserves for necessary business purposes as is determined by the Board. A patronage dividend to which owners are entitled may be waived in whole or in part by vote of owners.

Section 8.3 - **Consent 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.

Section 8.4 - **Deferred amounts.** Payment of a portion of patronage

dividends 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 and shall accrue no dividend or other monetary return on capital. Deferred patronage dividends may be redeemed when determined by the Board to be no longer needed for capital purposes. At that time they shall be redeemed in the order of the oldest outstanding amounts and on a pro rata basis among such amounts, except that redemptions shall be payable only to owners who are then in good standing or become so within a six-month period of time. Deferred patronage dividends may also be redeemed under compelling circumstances as determined by the Board. They shall be subject to being offset by amounts otherwise due and payable to the Co-op and by assessments resulting from tax audit adjustments.

Section 8.5 - **Net losses.** No portion of a net operating loss realized by the Cooperative shall be allocated to owners. The patronage portion of such losses shall be carried forward to offset patronage-sourced income of subsequent years. The nonpatronage portion of such losses shall be carried back and forward to offset nonpatronage-sourced income of prior and subsequent years as required or permitted under federal income tax law.

Article IX Fiscal and Miscellaneous matters

Section 9.1 - **Fiscal year.** The fiscal year of the Co-op shall begin on the first day of April in each year and end on the last day of March of the succeeding year.

Section 9.2 - **Annual report.** The Co-op shall prepare and submit at its annual meeting and to any owner requesting it an annual report in conformity with 11 VSA 1026.

Section 9.3 - **Communication by electronic means.** Unless otherwise required by these bylaws, any notice, consent, ballot, petition, or other document required or permitted by these bylaws may be delivered by electronic means, provided that, in the case where such communication requires the signature of the person submitting the communication, means are in place to reasonably assure the authenticity of the document.

Article X Interpretation and Amendment of Bylaws

Section 10.1 - **Interpretation.** The Board of Directors shall have the power to interpret these bylaws, apply them to particular circumstances, and adopt policies in furtherance of them, provided that all such actions are reasonable and consistent with these bylaws.

Section 10.2 - **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 10.3 - **Amendment.** Bylaws may be adopted, 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 DIVIDEND CONSENT PROVISION

Section 8.3 of the Co-op's bylaws relates to when and how patronage dividends are required to be included in the taxable incomes of recipient owners. Section 1385(b) of the Internal Revenue Code provides that a patronage dividend shall not be included in the taxable income of a recipient to the extent that such amount "is attributable to personal, living, or family items." This exclusion from taxable income would apply to owners whose purchases from the Co-op were for such personal use. To such persons section 8.3 is therefore of no effect. To all other owners section 8.3 represents their consent to include the amount of their patronage dividend in their taxable incomes for the year in which they receive their patronage dividend notice and check. This consent would apply to owners who are organizations and others whose purchases from the Co-op were for business or income-producing purposes.