

AMENDED AND RESTATED BYLAWS

OF

VALLEY COMMUNITY FOOD CO-OP, INCORPORATED

(d/b/a Valley Natural Foods)

BURNSVILLE, MINNESOTA

ARTICLE I MEETINGS

Section 1. Annual Meetings. The annual meeting of the ~~members~~member-owners shall be held in the territory served by the cooperative within four months of the close of its fiscal year, at a time determined by the Board of Directors of the cooperative.

Section 2. Special Meetings. The president shall call a special meeting of the ~~members~~member-owners upon a written request of at least twenty percent (20%) of the ~~members~~member-owners or upon a majority vote of the directors. When a special meeting is called by member petition, the notice of time, place, and purpose of the special meeting shall be issued within ten (10) days from and after the presentation of the petition and the special meeting shall be held within thirty (30) days from and after the date of presenting the petition. No business shall be considered at the special meeting except as may be mentioned in the call and included in the notice of the meeting.

Section 3. Notice Of Meeting. The secretary shall ensure that notice of all meetings of the ~~members~~member-owners is given by publishing the notice in a local legal newspaper of the county at least fifteen (15) days prior to the date of the meeting or by mailing a notice thereof to each ~~member~~member-owner at his or her last known address not less than fifteen (15) days preceding the date of the proposed meeting. The secretary shall execute a certificate setting forth a correct copy of such notice and showing the date on which the notice was mailed or published. The failure of any ~~member~~member-owner to receive any notice of the annual or special meeting of the ~~members~~member-owners shall not invalidate any action that may be taken by the ~~members~~member-owners at any annual or special meeting.

Section 4. Voting. No ~~member~~member-owner shall be allowed to vote by proxy and no ~~member~~owner shall have more than one vote, regardless of the number of shares owned. Absentee or mail-in ballots or electronic ballots or other means of voting may be provided for those ~~members~~member-owners who are unable to attend the annual or special meeting, if authorized by the Board of Directors. The absentee or mail ballots must be signed by the ~~member~~owner and votes by electronic means shall be cast and handled in such manner as may be authorized by the Board of Directors, and when received on or before the date of the annual or special meeting of the cooperative, shall be accepted and counted as the vote of such absent ~~member~~owner at the meeting.

Section 5. Presiding Officer. The president of the cooperative, or in the president's absence, the vice president, shall preside at all meetings of the ~~members~~member-owners.

Section 6. Quorum, ~~Members~~Member-owners. At any regular or special meeting of the ~~members~~member-owners, a quorum necessary for the transaction of business shall be at least ten percent (10%) of the total number of voting ~~members~~member-owners of the cooperative, except that when the number of ~~members~~member-owners shall exceed five hundred (500), fifty (50) ~~members~~member-owners present shall constitute a quorum. In determining a quorum at any meeting on a question submitted to a vote by mail, ~~members~~member-owners present in person as well as those represented by mail ballots shall be counted.

Section 7. Order Of Business. The order of business at the annual meeting and so far as practicable at all meetings of the ~~members~~member-owners shall be:

(a) Member-owner registration and tabulation

(b) Proof of notice of meeting

- (c) ~~Reading and~~Approving or otherwise disposing of all unapproved minutes
- (d) Annual reports of officers and committees
- (e) Election of directors
- (f) Unfinished business
- (g) New business
- (h) Adjournment

Section 8. Regular Directors' Meetings. Regular meetings of the Board of Directors shall be held at a time and place determined by the Board.

Section 9. Special Directors' Meetings. Special meetings of the Board of Directors shall be held when called by the president or by a majority of the Board. Each member of the Board of Directors shall be duly notified of all meetings. No business except that mentioned in the call for a special meeting of the Board of Directors shall receive final action at a special meeting.

Section 10. Quorum Of Directors. A majority of the directors shall constitute a quorum at all meetings of the Board and a majority vote of the directors present shall decide all questions. Presence at a meeting shall constitute a waiver of notice of the meeting.

Section 11. Action Without A Meeting. Decisions of the Board of Directors may be made without a meeting if a consent in writing, stating the action to be taken, is signed by all directors and filed with the minutes, or through authenticated electronic communication to the extent permitted by applicable law.

ARTICLE II **MEMBERS OWNERSHIP**

Section 1. Eligibility. Any natural person, household, cooperative or other nonprofit corporation may, on approval of his, her or its application by the Board of Directors and upon purchase of at least four (4) shares of Class A stock from the cooperative, be accepted into members ownership on terms established by the Board of Directors. Applications for members ownership must be submitted to and approved by the Board of Directors. The cooperative shall not discriminate on social or political grounds, or on the basis of race, creed, age, sex, handicap, sexual preference, or marital status.

Section 2. Termination. A member-owner may terminate members ownership voluntarily upon notice to the cooperative. At any time if a member-owner pursues conduct contradictory to the purposes and aims of the cooperative, for a period of one year fails to patronize it, or fails to comply with the requirements of the Bylaws, the cooperative, by action of the Board of Directors, may elect to cancel the member-owner's members ownership either by:

- (a) Purchasing the Class A stock of such member-owner by tendering to such member-owner the par value thereof (or the book value thereof if less than the par value), together with the cash portion of any patronage refund due or unpaid, less any indebtedness due the cooperative; or
- (b) Purchasing the Class A stock of such member-owner by issuing to such member-owner Class B stock representing the member-owner's interest at the time of purchase, such interest to be ascertained as specified above, provided that this provision shall be printed upon the Class B stock certificates, clearly specifying the manner of cancelling membership and voting rights. In either case, the Class A stock of the member-owner shall be cancelled and the member-owner shall thereafter have no voting rights in the cooperative.

Section 3. Restrictions. Every member-owner, upon joining the cooperative, agrees that in case such member-owner shall desire to dispose of shares of stock in the cooperative, such shares shall only be transferred back to the cooperative upon the consent and approval of the Board of Directors.

ARTICLE III DIRECTORS AND OFFICERS

Section 1. Number Of Directors And Term. The number of directors of the cooperative shall be not less than five (5) nor more than nine (9) who shall be ~~members~~member-owners of the cooperative. Directors shall be elected by ballot at the annual meeting for a term of three (3) years, and shall hold office until their successors shall be elected or appointed and qualified. The terms of office of the directors shall be so arranged that as nearly as possible the terms of office of an equal number shall expire each year. If any director ceases to be a member-owner, the office of such director shall then be automatically vacated.

Section 2. Vacancies. Any vacancy in the Board of Directors except as may be caused by removal by the ~~members~~member-owners shall be filled until the next annual meeting by a candidate appointed by the remainder of the Board of Directors.

Section 3. Election Of Officers. The Board of Directors shall at their first meeting after the annual meeting elect by ballot, from their number, a president and one or more vice presidents. They shall also select a secretary and a treasurer. The offices of secretary and treasurer may be combined and when so combined shall be termed "secretary-treasurer." Officers shall hold office at the pleasure of the Board of Directors.

Section 4. Compensation. The compensation, if any, of the Board of Directors and officers, ~~except the secretary and treasurer,~~ shall be determined by the ~~members~~member-owners of the cooperative at any regular or special meeting called for that purpose. Such officers and directors shall, however, be entitled to reimbursement for actual expenses incurred in attending Board meetings or any other business of the cooperative, when such expense accounts have been approved by at least four-fifths a majority vote of the directors. ~~The Board of Directors shall set compensation of the secretary, treasurer or secretary treasurer.~~

Section 5. Removal. Any director of the cooperative may, for cause, at any annual or special meeting of the ~~members~~member-owners at which a quorum of the ~~members~~member-owners is present, be removed from office by vote of the majority of the ~~members~~member-owners present. The removal of a director shall not be considered at a special meeting unless that fact has been stated in the notice of the meeting. No director shall be removed from office at either an annual meeting or special meeting unless he or she has been informed of the meeting at which the matter is to be considered at least ten (10) days before such meeting. This notice shall be by registered mail addressed to the director at his or her last known address, and he or she shall be entitled to be heard at the meeting. Notwithstanding the foregoing, the Board may compel the resignation of any director at such time as the director has for any reason missed attending three (3) regularly-scheduled Board meetings within the course of any twelve (12) month period. The remaining directors shall then appoint a new ~~member~~owner to serve the remainder of the vacated directorship term or until the next annual meeting, whichever occurs first.

Section 6. Composition of the Board. No member of the Board of Directors will be a paid employee or reside in the same household as a full-time paid employee of the cooperative.

ARTICLE IV DUTIES AND POWERS OF DIRECTORS

Section 1. Management of Business. The Board of Directors shall oversee the business and affairs of the cooperative and make all necessary rules and regulations not inconsistent with law or with these Bylaws for the management of the business and the guidance of the officers, employees and agents of the cooperative, and shall have power to employ and dismiss a ~~manager~~CEO of the cooperative and to determine the ~~manager's~~CEO's duties and wages.

Section 2. Bonds of Employees. The Board of Directors shall require the ~~manager~~CEO, and all other officers, agents and employees charged by the cooperative with responsibility for the custody of any of its funds or property, to provide fidelity bonds in such amount as the Board of Directors shall determine. A responsible bonding company shall furnish the required bond or other surety satisfactory to the directors and the cooperative shall pay the cost of the bond.

Section 3. Accounting System and Audit. The Board of Directors shall install and maintain an adequate system of accounts and records. The Board shall review and approve financial statements at least quarterly. The Board shall review and approve the annual financial statements and have the authority to have the annual financial statements audited or reviewed as it deems advisable and the report on such audit or review shall be presented at the next annual meeting of the ~~members~~member-owners.

ARTICLE V DUTIES AND POWERS OF OFFICERS

Section 1. President. The president shall:

- (a) Preside over all meetings of the cooperative and of the Board of Directors;

- (b) Sign as president with another officer, all notes, deeds, and conveyances of real estate, as well as all certificates of stock of the cooperative. The board of directors may, at its discretion, and from time to time designate (and remove or replace) a non-board member signer on behalf of the co-op for these matters.

Section 2. Vice President. In the absence or disability of the president, the vice president shall preside and perform the duties of president.

Section 3. Secretary. The secretary shall:

- (a) Keep a complete record of the meetings of the cooperative and of the Board of Directors.
- (b) Cause to be prepared and submitted to the annual meeting of the ~~members~~member-owners a complete and detailed report of the current year's business. The report shall contain a statement of assets and liabilities, a statement of income and expenses, and such other statements and statistical memoranda as the Board of Directors shall require. Copies of the statements shall be available to all ~~members~~member-owners. The secretary shall submit reports as required by the Board of Directors.
- (c) The Board of Directors may delegate the duties enumerated in subsection (b) of Section 3 of this article to some employee or employees of the cooperative and may substitute the report of a disinterested accountant who audited or reviewed the cooperative's records and accounts.
- (d) Serve or cause to be served all notices as required by law;
- (e) Perform such other duties as maybe required of him or her by the cooperative or the Board of Directors.

Section 4. Treasurer. The Treasurer shall:

- (a) Receive and disburse all funds of the cooperative;
- (b) Keep a complete record of all financial transactions of the cooperative and perform such other duties pertaining to his or her office as may be required by the Board of Directors.
- (c) Review periodic and annual financial statements for Board approval and submission in the annual report.
- (d) The Board of Directors may delegate the duties enumerated in this section to some employee or employees of the cooperative.

Section 5. Secretary-Treasurer. In the event that the office of the secretary and treasurer are combined, then his or her duties shall be a combination of the duties of secretary and treasurer and his or her office shall be known as secretary-treasurer.

ARTICLE VI CAPITAL STOCK

Section 1. Stock Certificates. Stock certificates shall be issued when the stock is fully paid for. Each certificate shall state the class of stock, the par value of the stock, the number of shares represented, the name of the person, firm or corporation to whom the stock is issued, and shall bear the signature of the president and another officer, and be numbered and issued in numerical order. A record of each certificate shall be kept in a separate ledger. The certificate shall also state the class of stock with its relative rights and preferences and/or restrictions granted to or imposed upon the shares of each class. Each certificate shall have printed on it words to the effect that it shall be transferable only on the books of the cooperative in person or by attorney, upon surrender of the certificate with the consent and approval of the Board of Directors; that the cooperative retains the right to purchase or recall such certificate; and that it is subject to any indebtedness owed to the cooperative by the certificate holder.

Section 2. Stock Issued Or Transferred. Shares of stock shall be transferable only to the cooperative with the consent and approval of the Board of Directors. Before a new certificate is issued, the old certificate must be surrendered for cancellation, be marked "cancelled" with the date and kept in a separate file in numerical order. No stock shall be transferred unless any and all indebtedness owed the cooperative by the holder shall first be paid.

In the case the certificate to be transferred has been lost or destroyed, the Board of Directors may require the holder to furnish an indemnifying bond protecting the cooperative against any loss or damage by reason of issuing a new certificate and may further require the person to make an affidavit that such person has not sold, transferred, assigned or hypothecated the stock.

Section 3. Order of Payment Upon Dissolution or Liquidation. Upon dissolution or liquidation of the cooperative, the debts and liabilities of the cooperative shall first be paid according to their respective priorities. Stockholders or other holders of equity of capital reserve credits or other media issued by the Board of Directors shall then be paid the par value of their shares or credits with payment made in the order of preference stated in the Articles of Incorporation. Any additional property remaining after stockholders and other equity holders have been paid shall be distributed to another cooperative doing business on a cooperative basis or to a nonprofit organization exempt from taxes under Section 501(c) of the Internal Revenue Code, as shall be determined by the Board of Directors.

ARTICLE VII REVOLVING FUND AND RECORDS

Section 1. Classes and Issue. In order to further the cooperative character of the cooperative and provide a means whereby its current and active ~~members~~ **member-owners** will finance the cooperative, the cooperative is authorized to issue Class B or Class C stock, equity reserve or capital interest certificates, or any other media as determined by the Board of Directors and as permitted by Minnesota law. Funds and credits arising from the issue of such stock certificates or other media may be used for creating a revolving fund for the purpose of

building up an amount of working capital to meet the cooperative's financing needs. Whenever the cooperative determines that all of its funds are not necessary for the proper financing of the operations of the cooperative, the Board of Directors may choose to retire Class B or Class C stock, liquidate equity or capital reserves or any other media previously issued.

Section 2. Books and Records. The books and records of the cooperative shall be kept on a fiscal year basis and in such manner that the patronage refunds of each ~~member-member-owner~~ of the cooperative may be ascertained at any time. Whenever the cooperative determines that its capital and reserves are in excess of the amount reasonably necessary for its operations and on a sound financial basis, such excess or so much thereof as shall be deemed proper by the cooperative shall be applied to retiring the capital and reserve contributions of ~~membersmember-owners~~ and ex-~~membersmember-owners~~.

ARTICLE VIII DISTRIBUTION OF SURPLUS

Section 1. Annual Net Savings.

- (a) Gross receipts. Gross receipts shall be all proceeds from the sale of goods and services to ~~membersmember-owner~~ and non-~~membersmember-owners and~~ all other sums received (including patronage dividends and all non-patronage income).
- (b) Deductions from Gross Receipts. The cooperative shall deduct from "gross receipts" all expenses incurred in generating the "gross receipts" including, but not limited to, marketing expenses, costs of goods or services sold, taxes, depreciation, reserves for doubtful accounts and all other necessary expenses.
- (c) Total Annual Net Savings. The amount remaining after reducing the "gross receipts" by these deductions shall constitute the annual net savings (net earnings) of the cooperative.

Section 2. Member-Owner patronage income.

- (a) Member-Owner Patronage. Annual net savings shall be divided into (1) annual net savings from member-owner patronage; (2) annual net savings from non-member-owner patronage; and (3) non-patronage sources. Annual net savings for member-owner patronage shall be determined by taking the percentage of gross receipts attributed to business done with or for ~~membersmember-owners~~ (including patronage dividends, etc.) and multiplying that percentage times the total annual net savings minus non-patronage savings. The amount resulting shall be annual net savings from member-owner patronage, which shall be distributed to the member-owner-patrons of the cooperative, subject only to the deductions and the exceptions provided in Section 3 and 4 of this Article.
- (b) Non-Member-Owner Patronage and Non-Patronage Income. The difference between total annual net savings and net savings from member-owner patronage

shall be annual net savings from non-member-owner patronage and non-patronage sources.

Section 3. Educational Reserve. The Board of Directors may set aside a sum not to exceed five percent (5%) of non-member-owner patronage and non-patronage income as an educational fund which shall be used for the purpose of promoting and encouraging cooperative associations.

Section 4. Capital Reserve. The Board of Directors may annually set aside all annual net savings from non-member-owner patronage and non-patronage sources less any deductions for the educational reserve as a capital reserve. In addition the Board of Directors may also place into the capital reserve fund all annual net savings from member-owner patronage attributable to member-owner-patrons who are unidentified, or who do not consent to take into account patronage dividends from the association in the manner provided in 26 U.S.C. Section 1385, and annual net savings from patronage attributable to member-owner who so consent, but which result in a distribution of less than the minimum amount of three dollars (\$3.00) to any one member-owner-patron. Amounts previously set aside as capital reserves shall not be allocated to the member-owner-patrons but shall be kept in the general reserve fund of the cooperative. The Board of Directors may, by resolution duly adopted prior to the beginning of the fiscal year, set aside up to fifty percent (50%) of the total annual net savings or other reasonable amounts as a capital reserve.

Section 5. Patronage Dividend Distribution

- (a) The annual net savings from member-owner patronage, less any deductions or exceptions as determined by Sections 3 or 4 of this Article, shall be distributed annually to the member-owner-patrons of the cooperative. Member-patrons owners shall, by their ongoing membersownership in the cooperative, consent to include in their income such patronage distributions from the cooperative in the manner provided in and to the extent required by 26 U.S.C. Section 1385.
- (b) Patronage dividends shall be distributed in cash or in equity (Class B stock) or by any combination thereof designated by the Board of Directors. Equity distributions (Class B stock) may be paid or redeemed in whole or in part at such time, in such manner and such order as shall be determined by the Board of Directors in its sole discretion. The Board of Directors may establish policies and programs for the payments of or redemption of such equities. The equity portion of patronage dividends made to a member-owner whose membersownership is cancelled by the Board of Directors pursuant to Article II, Section 2(a) shall be transferred to the cooperative's inactive Class B stock account. No transfer or assignment of such equity shall be allowed without the approval of the cooperative.
- (c) Patronage income is based upon the financial results of the cooperative as determined for income tax purposes.

Section 6. Allocation of Losses. If the cooperative has sustained an annual loss in net savings from member-owner patronage, it shall have the power and authority to allocate such losses from member-owner-patron business in the following manners: (1) to the member-patrons owners for such year or years on a patronage basis and apply such losses against the equity credits or stock or said member-owner-patrons; (2) to apply the loss to the cooperative's capital reserve; or (3) to carry forward or back such loss, as determined by the Board of Directors.

ARTICLE IX TAX CONSENT

Each person (including individuals, partnerships, and businesses or cooperative corporations) who hereafter applies for and is accepted to membersownership in the cooperative and each member-owner of the cooperative on the effective date of this Bylaw who continues as a member-owner member after such date shall, by such act alone, consent that the amount of any distributions with respect to such member-owner's patronage occurring in any fiscal year, which are made in written notices of allocation (as defined in 26 U.S.C. Section 1388, the Internal Revenue Code) and which are received by such member-owner member from the cooperative, will be taken into account by such member-owner member at their stated dollar amounts in the manner provided in 26 U.S.C. Section 1385 in the taxable year in which such written notices of allocation are received by the member-owner member, it being the intent of this Bylaw to provide a consent binding on all membersmember-owners who retain or obtain membersownership in this cooperative after the adoption of this Bylaw and receipt of a written notification and copy of this Bylaw, for the purpose of making such distributions "qualified written notices of allocation" within the meaning of the United States Income Tax Laws.

ARTICLE X INDEMNIFICATION

The cooperative shall indemnify each person who is or has been a director, officer, or employee of the cooperative, and each person who is serving or who has served at the request of the cooperative as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her to the fullest extent of his or her right to indemnity under current Minnesota law.

ARTICLE XI SUNDRY PROVISIONS

Section 1. Fiscal Year. The fiscal year of the cooperative shall begin on the first day of July and close on the last day of June of each year.

Section 2. Amendments. These Bylaws may be amended, repealed or altered in whole or in part, as provided by law, by a majority vote of the membersmember-owners present and voting (in person or through any absentee, mail or electronic ballot authorized by the Board of Directors) at any annual meeting of the membersmember-owners or at any special meeting of the

| ~~members~~member-owners when such action has been duly announced in the call of the special meeting.

I certify that as Secretary of the Board of Directors of Valley Community Food Coop, Incorporated the foregoing Amended and Restated Bylaws were duly adopted by the cooperative by prior actions of the Board of Directors.

| _____
DeAnne Shea, Secretary

Date