



Dill Pickle Food Co-op
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BYLAWS

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Article I Organization

Section 1.1 - Name and status.

The name of the organization is Dill Pickle Food Co-op (hereinafter referred to as “the Co op”).
The Co-op is a co-operative association organized under the laws of the State of Illinois.

Section 1.2 - Purpose.

As more fully stated in its Declaration, the purpose for which the Co-op is organized is to furnish groceries and other consumer goods and services to its owners and other patrons. The Co-op shall conduct its operations exclusively on a co-operative basis.

Section 1.3 - Co-operative principles.

The Co-op shall be operated in accordance with the co-operative principles adopted by the 1995 General Assembly of the International Co-operative Alliance, such principles being:

1. Voluntary and Open Membership
2. Democratic Member Control, One Member = One Vote
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training, and Information
6. Co-operation among Co-operatives
7. Concern for Community

Section 1.4 - Nondiscrimination.

The Co-op shall not discriminate on any arbitrary basis.

Section 1.5 - Principal office.

The principal office of the Co-op shall be located on the northwest side of Chicago, Illinois.

Section 1.6 - Fiscal year.

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

Article II Ownership

Section 2.1 - Admission.

Ownership in the Co-op shall be voluntary and open to any person whose intent is to use the services of the Co-op and to accept the responsibilities of ownership. Applicants will be admitted to ownership upon submitting required information and purchasing or subscribing to purchase not less than one nor more than ten shares, at their par value of one hundred dollars per share. On or before admission, each owner shall be provided a copy of these bylaws, including the appended explanation of patronage refunds. Subscribers shall be considered owners for all purposes. In case of doubtful eligibility, ownership shall be subject to approval by the Board at any time within six months after the date of application.

Any person who is an employee of the Co-op may choose to become a member for the duration of their employment, following the completion of their employee trial period and after attending an owner orientation, without the need to comply with the provisions of Section 2.1.

For any such employee who chooses to become a member, the co-op will purchase one share of its own common stock and shall hold the share in trust for the benefit of the employee. As the beneficial owner, the employee will have all the rights and duties of membership, including that the employee will receive any patronage dividends attributable to their own patronage, and the employee may exercise the voting rights of a member. Upon termination of employment, the employee's beneficial ownership of the share will end. In the case of financial hardship, the GM may choose to suspend this program.

Any employee may also become a member independent of his or her employment status if he or she complies with the provisions of Section 2.1.

Section 2.2 - Rights.

Each owner shall be entitled to make purchases from the Co-op on terms generally available to owners and to participate in the governance of the Co-op as set forth in these bylaws. Rights of owners shall be personal rights and not property rights. Owners may contribute labor or services and thereby be entitled to receive discounts as determined by the Board.

Section 2.3 - Responsibilities.

Each owner shall keep reasonably current in payment of the share purchase requirement described in Section 2.1 above, shall patronize the Co-op on at least an occasional basis, and shall notify the Co-op of any change to his or her name or address. An owner who becomes delinquent in meeting his or her share purchase obligation to an extent determined by the Board, or who fails to patronize the Co-op for a period of time determined by the Board, shall be placed into inactive status. His or her participation rights shall then be suspended. An owner in inactive status may attain good standing only upon full payment of all arrearages or reestablishment of a patronage relationship with the Co-op. References herein to the rights and entitlements of owners shall be understood to refer only to owners in good standing.

Section 2.4 - Access to information.

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

Section 2.5 - Settlement of disputes.

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

attempted to be resolved in good faith.

Section 2.6 - Nontransferability.

Ownership rights and interests may not be transferred except to the Co-op. Following termination of ownership, 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 one or more shares or deferred patronage refunds to the credit of another person designated by the requesting owner, provided that the person so designated has acquired ownership status in the Co-op and the requesting owner certifies that s/he has not and will not receive consideration for the transaction in excess of the carrying value of the interests on the books of the Co-op. Any attempted transfer contrary to this section shall be wholly void and shall confer no rights on the intended transferee.

Section 2.7 - Termination.

Ownership may be terminated voluntarily by an owner at any time upon notice to the Co op. Ownership may be terminated involuntarily by the Board for knowingly, intentionally, or repeatedly violating these bylaws after the owner is provided fair notice of the charges and an opportunity to respond in person or in writing. Upon termination of ownership, all rights and interests in the Co-op shall cease except for rights to redemption of capital pursuant to Articles VII and VIII of these bylaws.

Article III
Meetings of Owners

Section 3.1 - Annual meeting.

An annual meeting of owners shall be held within one-hundred and forty days after the close of each fiscal year to receive reports on the operations and finances of the Co-op, 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 possible after the receipt of petitions signed by fifteen percent of all owners, such petitions stating any proper business to be brought before the meeting. Any business conducted at a special meeting other than that specified in the notice of the meeting shall be of an advisory nature only.

Section 3.3 - Time and place.

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

Section 3.4 - Notice.

Written notice of the time, place, and purpose of a meeting of owners shall be mailed to each owner either separately or in a Co-op publication. The notice must be mailed or published not less than fifteen nor more than forty-five days before the date of the meeting. Electronic mailing to individual owners will be the preferred method for these notices, with USPS mailing being utilized for co-op owners without a valid email address in the Ownership roster.

Section 3.5 - Record dates.

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

Section 3.6 - Quorum.

The presence in person or by mail ballot at the opening of the meeting of fifty owners if the Co-op has more than five hundred owners, or ten percent of all owners if the Co-op has five hundred or less owners, shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of owners.

Section 3.7 - Voting.

Unless otherwise required by these bylaws, each owner shall have one and only one vote on each matter submitted to a vote of owners irrespective of the number of shares held. 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. Any business conducted at a meeting other than that specified in the notice of the meeting shall be of an advisory nature only. The Board shall institute policies and procedures to reasonably assure the integrity of the voting process.

Section 3.8 - Balloting by mail.

Owners may, as authorized by the Board, vote by electronic or USPS mail ballots in conjunction with a meeting of owners. Ballots, together with the exact text of an issue for decision shall be included in the notice of the meeting to which they relate. USPS mailed ballots shall be submitted in a sealed plain envelope inside another envelope bearing the owner's name and any other required identifying information and shall be submitted in conformity with instructions contained in the notice. Electronic ballots shall be submitted in conformity with instructions contained in the notice. Casting of a ballot by electronic or USPS mail shall be equivalent to presence in person at a meeting, and ballots shall be counted together with votes cast at the meeting.

Section 3.9 - Proxies.

Owners who are unable to attend a meeting may vote by written proxy executed in favor of another owner. A proxy shall be effective only with respect to one particular meeting of owners, and no owner may hold more than one such proxy at any one time.

Section 3.10 - Issues submitted by owners.

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

Article IV Board of Directors

Section 4.1 - Powers and duties.

Except as to matters reserved to owners by law or by these bylaws, the business and affairs of the Co-op shall be managed under the direction and 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 guide operational decisions, engaging a general manager and monitoring and evaluating his or her performance, securing good conditions of employment and reasonable employee benefits, 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 up to nine individuals. To be qualified as a director, a person shall be of the age of eighteen or more years, shall have been an owner for at least six months prior to the commencement of the election of directors, and shall not have any overriding conflict of interest with the Co-op. Employees who meet the qualifications are eligible for election as long as no more than two employees serve on the Board of Directors at any given time.

Section 4.3 - Nominations, election and terms.

Directors may be nominated by the Board, by a nominating committee, or by petitions signed by at least twenty-five owners and submitted to the Co-op at least sixty days before the date of the annual

meeting. Directors shall be elected by owners at the annual meeting. At the first annual meeting after adoption of these bylaws and periodically thereafter as may be necessary, directors shall be elected for specific one, two or three year terms in order to assure that no more than three terms expire in each year. At other times directors shall be elected for terms of three years. Candidates receiving the highest number of votes shall be given the longest available terms. Directors shall hold office until their successors are elected or until their offices are sooner terminated in accordance with these bylaws. In general, a member may vote "yes" for as many candidates as there are open Director positions. If there are not more nominees than open Director positions, the ballot will have a space where a member can indicate a "yes" vote and a space where a member can indicate a "no" vote, and a candidate must receive more "yes" votes than "no" votes in order to be seated on the Board.

Provided they are also Members of the Cooperative, are duly elected or appointed, and do not report directly to the Board or the General Manager, a maximum of two employees of the Cooperative may serve on the Board of Directors. No employee Director shall be eligible to serve as President, Vice President, Secretary or Treasurer, nor shall an employee Director participate in the evaluation of the General Manager or in the determination of the General Manager's compensation. Employee Directors may participate in executive sessions at the discretion of a majority of the non-employee Directors present and voting.

Section 4.4 - Compensation.

Directors may be, but are not required to be, compensated for serving on the Board. Directors may be reimbursed for reasonable expenses incurred in connection with the performance of authorized business of the Co-op.

Section 4.5 - Standards of conduct.

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

Section 4.6 - Conflicts of interest.

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

Section 4.7 - Committees.

The Board may appoint special or standing committees to advise the Board or to exercise such authority as the Board shall designate. Such committees shall include at least one director. The appointment of any committee shall not relieve the Board of its responsibilities in the oversight of the Co-op. The Board shall have at a minimum a Finance Committee and an Audit Committee.

Section 4.8 - Termination.

The term of office of a director may be terminated prior to its expiration in any of the following ways: (i) voluntarily by a director upon notice to the Secretary; (ii) automatically upon termination of ownership in the Co-op; and (iii) for cause by the Board or by owners, provided the director is accorded fair notice of the charges and an opportunity to respond in person or in writing. A director who is absent from three consecutive Board meetings or four meetings in any one-year period, unless excused by the Board for good cause, shall be presumed to have resigned.

Section 4.9 - Vacancies.

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

Article V

Meetings of the Board

Section 5.1 - Meetings.

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

Section 5.2 - Notice.

Meetings called by resolution of the Board shall require no notice, it being the responsibility of absent directors to inquire as to the time of further scheduled meetings. Special meetings shall require written or oral notice to all directors. Written notice shall be delivered at least five days before the date of the meeting and oral notices shall be given in person or by a telecommunications device at least forty-eight hours before the time of the meeting. Notices of meetings of the Board shall also be posted in a timely manner and in a conspicuous place in the Co-op's store, but the inadvertent failure to do so shall not affect the validity of the meeting.

Section 5.3 - Waiver of notice.

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

Section 5.4 - Quorum.

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

Section 5.5 - Decision making.

Decisions at meetings of the Board shall be made by consensus, whereby all expressed concerns are resolved or those having unresolved concerns agree to stand aside. Any decision made by consensus shall be deemed to be inclusive of a vote in any required percentage. If diligent efforts have failed to produce a decision by consensus, and the issue requires immediate action, the Board may opt to make the decision by consensus minus one.

Section 5.6 - Action without a meeting.

Any urgent 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 for discussion only 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, Treasurer, and General Manager. The Board may designate other officers or assistant officers. Principal officers shall be directors, except the General Manager who shall not be a director.

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 assuring the orderly conduct of all meetings, coordinating the activities of the Board, and 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, issuing notices required except as otherwise provided under these bylaws, and authenticating records of the Co-op.
- (d) The Treasurer shall oversee the maintenance of financial records, issuance of financial reports and the filing of all required reports and returns, and shall present a financial report at the annual meeting of owners.
- (e) The General Manager shall be responsible for administering the day-to-day activities of the Co-op under the direction and control of the Board.

Article VII Capital Shares

Section 7.1 - Issuance and terms.

To evidence capital funds provided by owners, the Co-op shall issue shares. Shares may be issued only to persons eligible for, and admitted to ownership in, the Co-op. Shares shall be issued only at their par value upon full payment in cash or cash equivalent. Shares shall be entitled to no dividend. The minimum share purchase requirement may be increased generally, provided that such increase applies equally to newly-admitted owners.

Section 7.2 - Certificates.

Upon acquiring sufficient shares to be fully vested, the owner shall be entitled to receive a certificate evidencing such holding. All certificates shall be signed personally or by facsimile by the President and the Secretary and shall be numbered and recorded in a stock register maintained by the Co-op. Each certificate shall contain a prominent notation that, in accordance with these bylaws, it is transferable only to the Co-op and that voting rights pertain only to ownership status on a one-owner-one-vote basis. The Co-op may issue a replacement certificate for any certificate alleged to have been lost, stolen or destroyed without requiring the giving of a bond or other security against related losses.

Section 7.3 - Redemption.

Upon request following termination of ownership, 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 Refunds

Section 8.1 - Distribution of net savings.

The realized net savings of the Co-op, to the extent attributable to the patronage of owners, shall be allocated and distributed among owners as patronage refunds in proportion to their patronage and in such a manner and at such a time as to constitute patronage refunds within the meaning of federal income tax law. The Co-op may set aside only such reserves as are authorized in this article. To the extent permitted under federal income tax law all of the operations of the Co-op shall be netted into a single allocation unit.

Section 8.2 - Exceptions.

Net savings may be reduced by such reasonable reserves for necessary business purposes as is determined by the Board. Any allocations of such a nominal amount as not to justify the expenses of distribution may, as determined by the Board, be excluded from distribution provided that they are not then or later distributed to other owners. Owners shall retain the right to waive in whole or in part, by action at a meeting of owners, any patronage refunds to which they may be entitled.

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 refunds, 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 monetary return on investment. They shall 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 made payable only to owners who are then in good standing or become so within a six-month period of time. Deferred amounts may also be redeemed under compelling circumstances as determined by the Board. They shall be subject at all times to being offset by amounts otherwise due and payable to the Co-op.

Section 8.5 - Net loss.

In the event the Co-op shall incur a net loss in any fiscal year, such loss shall be allocated to owners in the same manner as for net savings, subject to the exclusion of nominal amounts as described in section 8.2. Any such allocated net loss shall be charged first against deferred patronage refunds of prior fiscal years and then against patronage refund allocations of subsequent fiscal years. Allocated net losses which are not so offset may be charged against the carrying value of shares only upon termination of ownership. Allocated net losses shall not otherwise be assessed to or collected from owners.

Article IX

Interpretation and Amendment of Bylaws

Section 9.1 - Interpretation.

The Board of Directors shall have the power 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 9.2 - Severability.

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

enforceability of any other provision of these bylaws.

Section 9.3 - Amendment.

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

Appendix:

EXPLANATION OF PATRONAGE
REFUND CONSENT PROVISION

The Internal Revenue Code generally requires each person receiving a patronage refund to include the amount of such distribution in his or her gross income in the taxable year in which it is received. Under bylaw section 8.3, mere acceptance or retention of ownership in the Co-op constitutes consent to such inclusion in taxable income, including the portion of the patronage refunds that is deferred by the Co-op for its capital needs.

The Co-op has been advised by legal counsel, however, that the general rule for inclusion in income of patronage refunds is subject to an exception that is applicable to consumer cooperatives. Under that exception, a patronage refund is not required to be included in gross income if the owner's purchases from the Co-op related to "personal, living or family items." The patronage refund would thus be taxable to an owner only if his or her purchases related to the operation of a trade or business or other income-producing activities. In effect, the consent provision is of no significance to owners of the Co-op, except as to organizational owners and except where the purchases of owners who are natural persons are for business or income producing purposes.