



BYLAWS | NOVEMBER 14, 2022

Article 1: Organization

1.1 Name. The name of the organization shall be Shared Harvest Elgin Food Cooperative (“the Cooperative”). The Cooperative is a cooperative business organized under the laws of the State of Illinois.

1.2 Purpose. The Cooperative’s purpose is to operate a cooperatively-owned grocery store in Elgin that provides groceries and other consumer goods and services to its members and other patrons. The Cooperative’s mission includes providing access to affordable, healthy, locally-produced food, fostering sustainable agriculture, and contributing to the economic and cultural vibrancy of the Elgin community.

The Cooperative will operate exclusively on a cooperative basis.

1.3 Cooperative Principles. The Cooperative shall be operated in accordance with the cooperative principles adopted by the 1995 General Assembly of the International Cooperative Alliance:

- A. voluntary and open shareholding;
- B. democratic shareholder control, i.e. One Shareholder = One Vote;
- C. shareholder economic participation;
- D. autonomy and independence;
- E. education, training, and information;
- F. cooperation among Cooperatives; and
- G. concern for community.

1.4 Location. The principal office of the Cooperative shall be located in Elgin, Illinois.

Article 2: Shareholders

2.1 Eligibility. Ownership in the Cooperative shall be voluntary and open to anyone who is able to benefit from the Cooperative and willing to accept the responsibilities of ownership, including supporting the Cooperative's purpose.

Any natural person age 18 years or older, and any organization or business will be admitted as a shareholder upon:

- A. submitting a completed shareholder application and it being approved under the procedure adopted by resolution of the Cooperative's Board of Directors (Board);
- B. purchasing at least one and no more than ten shares of common stock of this Cooperative, at its par value of one hundred dollars (\$100) per share. This may be payable in installments if an applicant asserts financial need to do so; and
- C. meeting other shareholder criteria or requirements as may be established from time to time by the Board.

If the Board has denied its consent for any person to become a member of this Cooperative, that person may appeal to the members of the Cooperative at the first regular or special members' meeting thereafter, and ask that he or she be admitted to the Cooperation as a member, and the action of the members on the question of whether to admit such person as a member shall be final.

2.2 Nondiscrimination. Shareholder status shall be available without regard to any characteristic that does not directly pertain to a person's eligibility.

2.3 Rights. Each shareholder shall be entitled to:

- A. make purchases from the Cooperative on terms generally available to shareholders;
- B. vote in elections of the Cooperative's Directors and on all issues to be decided by the Cooperative's owners. Each shareholder shall have one and only one vote;
- C. attend meetings of the Board, except for such portions of meetings that the Board determines to close for discussion (but not decision) on matters of a confidential or sensitive nature;
- D. receive notice of and attend shareholder meetings;
- E. to petition as described in these bylaws, and to approve amendments to these bylaws; and

F. reasonably adequate and timely information about the operational and financial affairs of the Cooperative. The Board may limit a shareholder's access to information to protect confidential or sensitive information. Any shareholder's request for information may be accommodated by means other than direct access to the Cooperative's records.

The rights of shareholders shall be understood to apply only to shareholders in good standing as defined by these bylaws. A shareholder is in good standing if the shareholder has made a purchase at least once in the past twelve months and either has their share paid in full or the required installments have been paid. Rights of shareholders shall be personal rights and not property rights. All rights and responsibilities of shareholders are subject to the bylaws as they may be amended from time to time, and to policies and decisions of the Cooperative or the Board.

2.4 Responsibilities. Shareholders shall:

- A. remain current in equity investments due to the Cooperative;
- B. inform the Cooperative of any changes in name or current address;
- C. abide by these bylaws and the policies of the Cooperative and the Board;
- D. make a purchase at the Cooperative's store at least once in every twelve-month period, during the time the Cooperative is operating a store.

A shareholder must fulfill these responsibilities to remain in good standing. A shareholder who fails to meet the above requirements will be placed into inactive status, and his or her right to vote in the affairs of the Cooperative shall be suspended. A shareholder in inactive status may attain good standing only upon full payment of all arrearages and/or reestablishment of a patronage relationship with the Cooperative.

2.5 Voluntary Termination of Ownership. A shareholder may terminate his or her ownership voluntarily at any time by written notice to the Cooperative. The shareholder's right to vote in the affairs of the Cooperative will terminate immediately. Within sixty (60) days of receiving a notice of voluntary termination, the Board shall pay any amounts due to the shareholder for redemption of the shareholder's shares under any policies adopted by the Board to govern share redemption.

2.6 Involuntary Termination of Ownership. Ownership may be terminated involuntarily by the Board for cause if the Board determines that a shareholder has:

- A. become ineligible for membership for any reason;
- B. intentionally or repeatedly violated any provision of the Articles, these bylaws, or Board policies of the Cooperative;
- C. taken actions that could reasonably be expected to impede this Cooperative from accomplishing its purposes;
- D. taken or threatened actions that adversely affect the interests of this Cooperative or its members;
- E. willfully obstructed any lawful purpose or activity of this Cooperative;
- F. breached any contract with this Cooperative; or
- G. failed to patronize the Cooperative within the preceding twelve (12) months, if that requirement is applicable.

Ownership may only be terminated after the shareholder has been provided fair notice of the reasons for the proposed termination and has had an opportunity to respond in person or in writing.

2.7 Death of a Shareholder. In the case of a membership that is shared by two or more adults in a household, upon the death of any of them, the membership will be held only by the survivor(s), and the Cooperative will remove the name of the deceased from its shareholder records. The surviving shareholder(s) will be entitled to all equity and payments owned by and due to the membership. The estate of the deceased shall remain liable for any debts or liabilities to the Cooperative.

In the event of the death of a shareholder whose membership was not shared with any other adult, the Cooperative shall interpret the notice of the shareholder's death as a notice of voluntary termination of ownership. The Cooperative shall make any distributions payable to the deceased shareholder's estate.

2.8 Return of equity. Equity shall be returned upon termination of ownership in the Cooperative, under terms determined by the Board, provided that the Board has determined that the equity is no longer necessary.

2.9 Non-transferability. Shareholders' rights and interests may not be transferred except to the Cooperative. Following termination of shares, or at any time as to shares held in excess of the minimum amount, the Cooperative will, upon request of the shareholder, transfer the par value

of one or more shares or the carrying value of deferred patronage refunds to the credit of another person designated by the requesting shareholder, provided that the person so designated has acquired shareholder status in the Cooperative and the requesting shareholder certifies that s/he has not and will not receive consideration for the transaction in excess of the par value of stock or the carrying value of the interest on the books of the Cooperative. Any attempted transfer contrary to this section shall be void.

2.10 Unclaimed property. If any shareholder moves and fails to notify the Cooperative of his or her new address, and if the Cooperative's records do not contain current contact information for the shareholder, then the member is not eligible to receive distributions of patronage dividends or any payment for redemption of the member's common stock or distribution from the member's capital account. If a shareholder's ownership interest is involuntarily terminated, the shareholder's common stock may be canceled without reimbursement to the shareholder, and the balance of the shareholder's capital account may be transferred to the Cooperative's reserve account.

2.11 Settlement of disputes. In any dispute between the Cooperative and any of its shareholders or former shareholders which cannot be resolved through informal negotiations, it shall be the policy of the Cooperative 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.

Article 3: Shareholder Meetings

3.1 Annual meeting. A shareholder meeting shall be held each year at a time and place (always Elgin) to be determined by resolution of the Board. At the annual meeting, the shareholders shall elect directors of this Cooperative for the terms of office and in the manner prescribed by these bylaws and shall transact such other business as may properly come before the meeting. The Board shall ensure that reports on the Cooperative's operations and finances and any other important issue are presented to the shareholders at the annual meeting.

3.2 Special meetings. Special meetings of the shareholders may be called by the Board, and shall be called by the President after receipt of a written petition signed by fifteen percent (15%) of the shareholders in good standing. In the case of a petition, notice of the special meeting will be issued within ten (10) days after a presentation of the petition to the President. No business shall be conducted at the special meeting except that specified in the notice of the meeting.

3.3 Notice of meetings. Written notice of the time, place, and purpose of a meeting of

shareholders shall be 1) mailed to each shareholder either separately or in a cooperative publication, or 2) personally delivered to the shareholder, unless the shareholder has waived her/his right to notice. The notice must be mailed or delivered not less than four (4) weeks nor more than eight (8) weeks prior to the date of the meeting.

3.4 Waiver of Notice. Any shareholder may waive his or her right to receive notice of meetings by signing a written notice of such waiver and delivering it or mailing it to the Secretary of this Cooperative. The Cooperative will keep all such waivers signed by current shareholders in its files. Shareholders who have waived their right to notice will receive notice of all shareholder meetings by email not less than fifteen (15) days before the meeting.

3.5 Voting. Each shareholder shall have one and only one vote on each matter submitted to a vote of shareholders 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 more than one choices are to be made from several alternatives, in which case the alternative receiving the most votes shall be considered approved. Meetings of shareholders 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. Proxy voting is allowed as defined by the Board. A vote by written proxy must include the exact text of the proposed motion, resolution, or amendment to be acted upon at the meeting; a space for an affirmative vote and a space for a negative vote, one of which must be selected by the shareholder; and the shareholder's signature. A shareholder's properly executed proxy vote will be counted as that shareholder's vote at the meeting.

3.6 Quorum. The presence in person or by proxy ballot at the opening of the meeting of ten percent of all shareholders if the Cooperative has 500 or fewer shareholders, or 50 shareholders if the Cooperative has 500 or more shareholders, shall constitute a quorum for the transaction of business at any meeting of shareholders.

3.7 Absentee Ballots. There shall be no provisions for absentee voting.

3.8. Decisions Reserved to Shareholders. A proposal to sell the Cooperative, to merge the Cooperative with another entity, to dissolve the Cooperative, or to establish a class of stock in the Cooperative other than common stock, may be approved only by the affirmative vote of two thirds (2/3) of the shareholders in good standing.

Article 4: Board of Directors

4.1 Powers and duties. Except for matters for which shareholder voting is required, the Board

shall have full power to govern the Cooperative. The duties of the Board shall include, but not be limited to, overseeing the operations and finances of the Cooperative, 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 Cooperative are properly carried out.

4.2 Number and qualifications. The Board shall be composed of up to fifteen (15) Directors, elected from among shareholders of the Cooperative. To be qualified as a Director, a person must:

- A. be at least 18 years old;
- B. be a shareholder at the commencement of the Director's term;
- C. not have any significant conflict of interest with the Cooperative; and
- D. must live in Illinois.

The General Manager of this Cooperative is an ex-officio member of the Board of Directors and shall serve in a non-voting advisory role to the Board of Directors. This provision does not add to the Manager's fiduciary duties. The Manager does not count towards quorum for a Board meeting.

4.3 Nominations, elections and terms. Directors may be nominated by the Board, by a nominating committee. Directors shall be elected by shareholders 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. No Director may serve more than three (3), 3-year consecutive terms.

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 Cooperative.

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 interest of the Cooperative and with the care that an ordinarily prudent person in a like position would use under similar circumstances.

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 Cooperative and is approved by no less than a two-thirds majority of all disinterested Directors.

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 of oversight of the Cooperative. The Board shall have at minimum a Finance Committee and an Audit Committee.

4.8 Officers. The Board will designate officers according to the requirements of state law and as necessary for the effective conduct of Board business.

4.9 Termination. The term of office of a Director may be terminated prior to its natural expiration in any of the following ways:

A. voluntarily by a Director upon notice to the Secretary;

B. automatically upon termination of the Director's ownership interest in the Cooperative;

C. by decision of two-thirds (2/3) of the remaining Directors for conduct contrary to the Cooperative's purpose or policies, provided that the Director is given fair notice of the charges and opportunity to respond in person or in writing; and

D. a Director who is absent from three (3) consecutive Board meetings of four (4) meetings in any one-year period, unless excused by the Board for good cause, shall be presumed to have resigned.

4.10 Vacancies. Any vacancy among Directors elected by the shareholders may be filled by appointment by the Board. A Director so appointed shall complete the pertinent term.

4.11 Indemnification. The Cooperative shall indemnify and reimburse each present, past and future Director for any claim or liability (including expenses and attorney's fees actually and reasonably incurred in connection therewith) to which such person may become subject by reason of being a Director if that person successfully defends the lawsuit or legal proceeding. If the person's defense is unsuccessful, the Board may indemnify the person if the Board

determines, in its discretion, that the Director acted in good faith in the reasonable belief that his or her action was in the best interest of the Cooperative.

Article 5: Meetings of the Board

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 (3) Directors. Meetings called by resolution of the Board shall be held no less frequently than once in each two-month period.

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 (5) days before the date of the meeting and oral notices shall be given in person or by a telecommunications device at least five (5) 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 Cooperative's store, but an inadvertent failure to do so shall not affect the validity of any action taken at the meeting.

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.

5.4 Quorum. The presence in person of a majority of Directors shall constitute a quorum for the transaction of business at any meeting of the Board.

5.5 Decision Making. Decisions of the Board shall be made by consensus, whereby all expressed concerns are resolved or those having unresolved concerns agree to approve the proposal despite the concern. The Board shall take action only by the affirmative vote of all Directors participating in the decision. A director who votes to approve a proposal despite concerns or reservations shall make those concerns or reservations known to the board, and the secretary shall record them in the minutes. (A) director may abstain from voting when s/he has a conflict of interest or for some other reason feels that s/he should not participate in the vote. 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.

6.1 Designation and qualifications. The principal officers of the Cooperative shall consist of President, Vice President, Secretary, Treasurer, and General Manager. The Secretary and Treasurer positions may be held by the same person, in which case that person will be referred to as the Secretary-Treasurer. The Board may designate other officers or assistant officers.

Principal officers shall be Directors, except the General Manager who shall not be a Director.

6.2 Election, terms and removal. Officers shall be elected by the Board at its first meeting following the annual meeting of shareholders. 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 Cooperative would thereby be served.

6.3 Duties. In addition to signing or attesting to formal documents on behalf of the Cooperative as authorized by the Board, officers shall have the following duties:

A. the President shall be responsible for ensuring 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 shareholders;

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 shareholders, issuing notices required except as otherwise provided under these bylaws, and authenticating records of the Cooperative;

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 shareholders; and

E. the General Manager shall be responsible for administering the day-to-day activities of the Cooperative under the direction and control of the Board.

The Board may assign additional duties to any of the officers.

Article 7: Capital Shares

7.1 Issuance and terms. To evidence capital funds provided by shareholders, the Cooperative shall issue shares of common stock. Shares may be issued only to persons eligible for, and admitted to shareholdership in, the Cooperative. 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 shareholders.

7.2 Certificates or Uncertificated Shares. The Board may determine, by resolution, whether

the shares of common stock issued by the Cooperative will be represented by certificates or will be uncertificated shares. All sales of stock shall be numbered and recorded in a stock register maintained by the Cooperative.

A. If the Cooperative will represent its shares by certificates, each certificate shall state that the Cooperative is organized under the laws of the State of Illinois; the name of the member to whom the stock is issued; and the number and class of shares issued, which shall be at least one share and not more than ten (10) shares of common stock. Each certificate shall be signed by the officers designated by the Board. Each certificate shall contain a prominent notation that, in accordance with these bylaws, it is transferable only to the Cooperative and that the right to vote attaches to the status of membership on a one-member-one-vote basis.

B. If the Cooperative's stock will be uncertificated, the Cooperative shall send to each new member, within a reasonable time after the member has purchased shares, a written notice stating that the Cooperative is organized under the laws of the State of Illinois; the name of the member to whom the stock is issued; and the number and class of shares issued, which shall be at least one (1) share and not more than ten (10) shares of common stock. The notice shall prominently state that, in accordance with these bylaws, the shares are transferable only to the Cooperative and that the right to vote attaches to the status of membership on a one-member-one-vote basis.

7.3 Redemption. Upon request following termination of ownership, shares shall be redeemed [repurchased by the Cooperative] when replacement capital is provided by other shareholders. Shares shall be redeemable at their par value, less a reasonable processing fee, if any, as determined by the Board. Redemption proceeds shall be subject to offset by amounts due to the Cooperative by the shareholder. No redemption shall be made when such payment would impair the ability of the Cooperative to meet its other obligations as they become due. Reapplication for ownership after full or partial redemption shall be subject to full repayment of redemption proceeds.

Article 8: Patronage Refunds

8.1 Distribution of excess income. This Cooperative corporation operates on a cooperative basis and allocates earnings and losses to patron-shareholders on the basis of the business done with or for such patrons. Thus, in accordance with Section 1381 of the Internal Revenue Code of 1954, this corporation shall declare a patronage dividend to be distributed among the shareholders. The surplus earnings of the cooperative, to the extent attributable to the patronage of members, and after paying taxes, payments due to creditors, and allocations to the reserve fund, shall be allocated to the members as patronage dividends in proportion to the total value of purchases made by each such shareholder during the preceding fiscal year. The patronage dividend will be allocated and distributed in such a manner and at such a time as to

constitute patronage dividends within the meaning of federal income tax law.

8.2 Reserves. The amount distributed to shareholders may be reduced by such reasonable reserves for 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 shareholders. Shareholders shall retain the right to waive in whole or in part, by action at a meeting of shareholders, any patronage refunds to which they may be entitled.

8.3 Consent of shareholders. By obtaining or retaining ownership in the Cooperative, each shareholder consents 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 patronage refund, including any qualified written notice of allocation in the taxable year in which such notice is received.

8.4 Deferred amounts. Payment of a portion of patronage refunds, not to exceed 80 percent of the allocation, may be deferred for the reasonable capital needs of the Cooperative, as determined by the Board. Such amounts shall be credited to revolving capital accounts in the names of recipient shareholders. 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 shareholders 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 Cooperative.

8.5 Net loss. In the event the Cooperative shall incur a net loss in any fiscal year, such loss shall be allocated to shareholders in the same manner as for net income, 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 par value of shares only upon termination of shareholdership. Allocated net losses shall not otherwise be assessed to or collected from shareholders.

8.6 Fiscal year. The fiscal year shall begin on January 1 and end on December 31 of the following year. The Cooperative will audit the financial books annually.

Article 9: Interpretation and Amendment of Bylaws

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.

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 the extent required by law 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.

9.3 Amendment. These bylaws may be amended or repealed in whole or in part by a majority of the shareholders who participate in the vote. An amendment may be proposed by resolution of the Board or by petition of at least five percent (5%) of shareholders in good standing. The proposed amendment shall be publicized to the shareholdership not less than four (4) weeks prior to any meeting at which the proposal is to be put to a vote.

Article 10: Dissolution

10.1 Asset distribution. The Cooperative may be dissolved upon a decision of the Board and a two-thirds (2/3) vote of the shareholders who participate in the vote. Upon dissolution of the Cooperative, its assets shall be distributed in the following manner and order:

- A. by paying or making provision for payment of all liabilities and expenses of liquidation;
- B. by redeeming any equity accounts which, if they cannot be paid in full, shall be paid in the order of the oldest outstanding amounts;
- C. by distributing any remaining assets in a way that furthers the Cooperative's mission, as determined by the Board.