

BYLAWS OF THE
HANOVER CONSUMER
COOPERATIVE SOCIETY, INC.

May 1, 2017



ARTICLE I

Organization

SECTION 1.

Name. The name of this organization is the Hanover Consumer Cooperative Society, Inc., a cooperative organized pursuant to the New Hampshire Consumers' Cooperative Act and hereinafter referred to as "the Cooperative."

SECTION 2

Cooperative Values and Principles. The business and affairs of the Cooperative shall be conducted in accordance with the cooperative values and principles as promulgated by the International Cooperative Alliance.

ARTICLE II

Business Practices

SECTION 1.

The purposes of the Cooperative are to meet the needs of its Members on a cooperative basis and to support and promote the cooperative movement.

SECTION 2.

Non-Members may purchase goods from the Cooperative, but a non-Member shall be entitled to patronage refunds only as credit towards the purchase of ten shares of Class A Common Stock.

ARTICLE III

Membership

SECTION 1.

Becoming a Member. A person, of eighteen years of age, or an entity may become a Member of the Cooperative:

- a. Upon full payment for ten or more shares of Class A Common Stock; or
- b. Upon being credited within a three consecutive calendar year period with patronage refunds sufficient to buy ten or more shares of Class A Common Stock, failing which such credits and/or shares of Class A common stock shall become part of the general reserve of the Co-op and
- c. By satisfying all other requirements provided in these Bylaws, the Cooperative's Certificate of Organization and as may be required by law.

SECTION 2.

Membership Defined. The Membership shall consist of all the Members of the Cooperative.

SECTION 3.

Withdrawal from Membership. At such time as a person or entity fails to meet any of the requirements of becoming a Member the person or entity shall cease to be a Member.

SECTION 4.

Presentation of Bylaws. A copy of these Bylaws shall be given to each Member, upon becoming a Member, and the Member shall be notified of the significance of the constructive consent provision of Section 5, below.

SECTION 5.

Constructive Consent of Members. Each person who hereafter applies for and is accepted as a Member of the Cooperative and each Member of this Cooperative on the effective date of this Bylaw, who continues as a Member after such date shall, by such act alone, consent that the amount of any distributions with respect to his or her patronage occurring after the date of adoption of this Bylaw, which are made in written notices of allocation (as defined in Section 1388 of the Internal Revenue Code) and which are received by the person or Member from the Cooperative, will be taken into account by the person or Member at their stated dollar amounts in the manner provided in Section 1385 (a) of the Internal Revenue Code in the

taxable year in which such written notices of allocation are received by the person or Member.

SECTION 6.

Shares Non-assessable. No Member of the Cooperative may be held liable for the debts of the Cooperative beyond amounts credited towards Membership shares.

ARTICLE IV

Rights of Members

SECTION 1.

Membership Control. The Members shall elect a Board of Directors to administer the affairs of the Cooperative. Through these Bylaws, the Members delegate to the Board of Directors certain powers and responsibilities, but retain for the Members the power and the right to amend the Bylaws and the Certificate of Organization and such other rights and powers as expressly provided herein and in the Certificate of Organization or as provided by law.

SECTION 2.

Regular Meetings. The Cooperative shall have one or more regular meetings during the year. One regular meeting shall be designated the "Annual Meeting" of the Cooperative and shall be held within four calendar months following the end of the immediately preceding fiscal year. In advance of the Co-op's fiscal year the Board may designate such other date(s) as a regular meeting for the coming fiscal year.

SECTION 3.

Special Meetings. Special meetings may be called by a majority vote of the Board of Directors and must be called whenever a petition for such a meeting, signed by at least ten (10) percent of the Members, is presented to the Board.

SECTION 4.

Conduct of Meetings. Except where the Bylaws and Certificate of Organization otherwise provide, Robert's Rules of Order, as revised, shall govern at regular and special meetings.

SECTION 5.

Rights, Responsibilities and Limitations of Membership. Every Member shall have an equal right to Participate in Membership meetings, to have one vote in all elections, to attend meetings of the Board of Directors, as provided herein, and to share in the distribution of net savings as provided in these Bylaws. Membership approval shall be required of any decision of the Board involving commitments of sums in excess of 4 percent (in the aggregate) of the previous fiscal year's gross annual sales, an enactment or amendment of the Bylaws or the Certificate of Organization.

SECTION 6.

Board Candidacy. Any Member may seek to be a candidate for the Board of Directors by submitting a statement of interests and qualifications to the Election Committee pursuant to the schedule established by that Committee.

SECTION 7.

Voting. Decisions to be made by the Members, including the election of the Board of Directors and the amendment of the Bylaws or the Certificate of Organization, shall be by a vote of the Membership held in connection with a regular or special meeting of the Membership. The voting shall be conducted during a period of between three and 30 days as determined by the Board. Each Member shall have one vote and only one vote.

SECTION 8.

Method of Voting and Notice of Meetings. The Board of Directors shall determine the method by which Membership voting is conducted, which may include electronic ballot, paper balloting, or both, provided that there are reasonable opportunities for all Members to vote. Voting by proxy is prohibited. Notice of the voting shall be sent to each Member via the last known electronic or postal address at least ten days prior to the meeting and as required by law.

SECTION 9.

Quorum. In order for any election or other balloting to have effect, valid ballots from least 500 Members,

as certified by the Board, must be received by the end of the voting period.

SECTION 10.

Access to Information. The Cooperative shall keep its Members reasonably informed of the organizational and financial affairs of the Cooperative. Upon request, a Member shall have access to the books and records of the Cooperative as provided by law.

ARTICLE V

Board of Directors

SECTION 1.

Composition of the Board. The governance of the Cooperative shall be vested in a Board of Directors, which shall consist of twelve (12) Members of the Cooperative, each of whom shall be at least 18 years of age. Directors shall be elected by the Membership during the voting held in connection with the Annual Meeting of the Cooperative. Directors shall serve three-year staggered terms so that the regular terms of four Directors expire at the start of the first regular Board meeting following each election.

SECTION 2.

Taking Office. A duly elected or appointed Director shall take office at the later of (a) the first Board meeting following the Director's election or appointment, or (b) the expiration of any notice period required by law for the licensing and authorization of any business activities conducted by the Cooperative.

SECTION 3.

Election of Officers. At the first Board meeting following the election of Directors each year, the Board shall elect, from among its Members, a President, Vice President, Secretary, and Treasurer. Each Officer shall serve until a successor is duly elected and qualified.

SECTION 4.

Employees as Directors. 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 5.

Duties and Disqualification. Directors are fiduciaries of the Cooperative and shall at all times conduct themselves in a manner consistent with the cooperative values and principles referenced in Article I Section 2. If a majority of the full Board determines that any Director is not properly discharging his or her duties to the Cooperative, the Director may be removed from the Board of Directors by a vote of seven Directors.

SECTION 6.

Vacancies. The Board of Directors may fill by appointment any vacancy on the Board or among the Officers. An appointed Director shall serve through the next regular election, when the unexpired portion of the term shall be filled by election.

SECTION 7.

Regular Meetings. Regular meetings of the Board, on the call of the President and with due notice to the Directors and Members, shall be held at least quarterly. A majority of Directors shall constitute a quorum. Any Member of the Co-op may attend any meeting of the Board of Directors, and may upon invitation of the presiding officer participate in its discussions.

SECTION 8.

Executive Sessions. The Board may conduct an executive session, closed to all but the Board and its invitees, upon a vote of two-thirds of the Directors present specifying the matter or matters to be discussed in executive session. All binding decisions of the Board shall be made by recorded votes in open sessions.

SECTION 9.

Majority Rule. Unless otherwise required by the Certificate of Organization, by these Bylaws or by law, a

majority vote of the Directors present at a meeting at which a quorum has been satisfied shall be the act of the Board of Directors.

SECTION 10.

Special Meetings. The President may convene special meetings of the Board and shall convene such a meeting upon request of at least four Directors. A special meeting may be held only upon at least two days' notice to all Directors, specifying the matters to be discussed.

SECTION 11.

Appointment of General Manager. The Board shall appoint and determine the terms of employment of a General Manager, who shall report to the Board and conduct the day-to-day business of the Cooperative.

SECTION 12.

Fiscal Year. The fiscal year of the Cooperative shall be as established by the Board.

SECTION 13.

Annual Audit. The Board shall engage one or more certified public accountants to conduct an annual audit of the financial records of the Cooperative to ascertain whether they conform to Generally Accepted Accounting Principles.

SECTION 14.

Indemnification. To the extent allowed by law, the Cooperative shall indemnify and reimburse each present, past and future Director for any claim or liability (including expenses and attorneys' fees actually and reasonably incurred in connection therewith) to which such person may become subject by reason of being a Director.

ARTICLE VI

Duties of Officers, Committees and General Manager

SECTION 1.

President. The President shall preside at all Membership and Board meetings, sign and execute (or provide a signature for facsimile reproduction), with the Treasurer, all shares of stock. The President shall sign such other documents as required in behalf of the Cooperative, and shall perform any other duties required by the Board.

SECTION 2.

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

SECTION 3.

Secretary. The Secretary shall attend all meetings of the Membership and the Board of Directors and be responsible for recording the names of all Directors present, all votes and proceedings of each meeting, and the minutes of their proceedings, or designate such a person to do so. The Secretary shall keep, or cause to be kept, the records, documents and other papers of the Cooperative in such a manner and for such purposes as the Board may require.

SECTION 4.

Treasurer. The Treasurer shall attend all meetings of the Membership and of the Board of Directors, and present such reports at such meetings as requested by the Board; be responsible for overseeing the financial condition of the Cooperative; shall sign with the President all certificates of stock; review with the Board at least quarterly a Statement of Income and Expense and a Balance Sheet; and keep the Board informed of the financial status of the Co-op by reports at the regular meetings of the Board prepared either by the Treasurer, the General Manager, or the designee of the General Manager.

SECTION 5.

Executive Committee. There shall be an Executive Committee, consisting of the President, who shall serve as chair, the Vice President, the Treasurer and the Secretary. The Executive Committee shall meet at the call of the President and may act on current business of the Cooperative when necessary between regular

meetings of the Board of Directors and in the absence of a special meeting of the Board. All decisions of the Executive Committee shall be reported to the next Board meeting and shall be subject to the approval of the Board as a whole.

SECTION 6.

Finance Committee. The Board of Directors, convened as a committee of the whole, shall serve as the Finance Committee of the Cooperative to the extent such a committee may be required by law.

SECTION 7.

Election Committee. There shall be an Election Committee, which shall recruit and encourage candidates to fill vacancies on the Board of Directors. The Election Committee will educate candidates about the responsibilities of Board service, and educate membership about candidates' qualifications. The Election Committee will not choose or prefer candidates. The Election Committee shall establish the schedule for elections in a manner that provides a reasonable opportunity for eligible Members to seek election. The Board of Directors shall annually elect the Chair of the Election Committee from among the Directors serving non-expiring terms and shall appoint additional persons to the Committee from among the Members of the Cooperative so that the Committee shall consist of at least two Board members (including the Chair) and at least two non-Board members.

SECTION 8.

General Manager. The General Manager shall administer and supervise the business of the Cooperative and shall be directly responsible to the Board for the discharge of these duties.

SECTION 9.

Indemnification. To the extent allowed by law, the Cooperative shall indemnify and reimburse each present, past and future Officer for any claim or liability (including expenses and attorneys' fees actually and reasonably incurred in connection therewith) to which such person may become subject by reason of being a Director.

ARTICLE VII

Capital

SECTION 1.

Stock. There shall be authorized two classes of stock in the Cooperative:

- a. Class A shares, which shall have a par value of five dollars, are shares issued by the Cooperative in consideration for becoming a Member of the Cooperative.
- b. Class B shares, which shall likewise have a par value of five dollars, are shares issued only to Members as patronage refunds in lieu of cash payments. Class B shares may or may not have a fixed maturity date.

The issuance of all shares shall be in compliance with the Cooperative's Bylaws and Certificate of Organization and with the laws of New Hampshire and the United States, including their securities laws and laws concerning consumer cooperatives.

There shall be no fractional shares. Shares may be issued without certificate except as required by law.

SECTION 2

Dividends. Maturity Date. There shall be no dividends paid on Class A or Class B shares. The Board of Directors may require that any Class B shares distributed as Net Savings (patronage refund) have a fixed maturity date. The maturity date shall be as determined by the Board of Directors prior to the distribution of the shares as patronage refund. The terms of share redemption upon maturity shall be as determined by the Board of Directors in place at the time of the share redemption.

SECTION 3

Call for Payment. When the Board of Directors determines that the Cooperative has sufficient working capital, the Board may in its discretion call Class B shares for payment at par. The Board, in its discretion,

may call Class B shares prior to their fixed maturity date and may elect to call only Class B shares having a specified maturity date and not call Class B shares of a different maturity date.

SECTION 4

Purchase of Shares. Each person or organization before admittance into Membership of the Cooperative shall purchase and make full payment on 10 shares of Class A stock.

SECTION 5

Share Transfer and Redemption.

- a. Except as provided in these Bylaws or as required by law, shares in the Cooperative are transferable only upon the approval of the Board of Directors.
- b. Any Member desiring to withdraw from Membership must inform the Cooperative in writing and tender for redemption all shares owned by the Member. The Board of Directors may in its discretion authorize the redemption of shares so tendered. The redemption proceeds shall equal either the par value or the book value of the stock, whichever is less.
- c. If the Cooperative does not, within 60 days of the tender, purchase all or any part of the holdings tendered, the Member may dispose of the unpurchased interest elsewhere, subject to the approval of the transferee by a majority vote of the Directors. Any would-be transferee not approved by the Directors may appeal to the Members at their first regular or special meeting thereafter, and the action of the meeting shall be final. A vote of the majority of the Members voting at a regular or special meeting may order the Directors to exercise their redemption power or approve of the transferee.
- d. The Directors may use reserve funds to recall, at par value, the holdings of any Member in excess of the amount required for Membership.
- e. When a Member dies or, in the case of an organization, ceases to exist, or when a Member makes no purchases from the Cooperative for a period of three years, the Board of Directors may redeem shares owned by such Member at par value.
- f. Notwithstanding anything to the contrary in these Bylaws, no purchase or recall of shares shall be made by the Directors if it will impair the solvency of the Cooperative.

SECTION 6

Unclaimed Shares. The Net Savings, patronage refund, share capital and Membership interest of a person (or entity) in the Cooperative shall be placed in the reserve fund and shall revert to the Cooperative upon determination that it has been abandoned as provided by NH RSA 301-A.

SECTION 6A

Transitional Provisions Regarding Stock.

- a. The Board of Directors may offer and issue new Class B shares having a fixed maturity date (New Class B shares) to members holding Class B shares as of May 1, 2017 (Old Class B shares). The maturity date shall be set by the Board of Directors, as shall all other terms of the exchange except as provided in these Bylaws. The offer shall be duly noticed to all members at their last known address and the offer shall remain open for a period of time not to exceed 5 years from the date of the offer.
- b. All Old Class B shares shall be cancelled upon a member's acceptance of the Cooperative's offer of New Class B shares in exchange for Old Class B shares. At the end of the 5 year exchange period all Old Class B shares which have not been exchanged for New Class B shares shall be cancelled and the holder of said Old Class B shares shall not receive any compensation of any kind in exchange for the cancellation of the Old Class B shares.
- c. This section 6A shall cease to be a part of the Bylaws on the fifth anniversary of the offer, the purpose of section 6A having been served.

SECTION 7

Lien on Capital. The Cooperative shall have an absolute lien on the share or loan capital, and on the interest due thereon, of any Member or any subscriber to share capital for debts owned by said Member or subscriber to the Cooperative.

SECTION 8

Reserve Fund. The Cooperative shall maintain a reserve fund consisting of an annual allotment of not less than ten percent (10%) of the net savings of the business for each year, contributions from individuals, confiscated capital of removed Members, and any other funds appropriated to it by action of the Board of Directors or the general Membership meetings; provided however, that in the event that said reserve fund exceeds 30% of both the paid-in and subscribed capital determined as of the end of the fiscal year, then the annual allotment to the reserve fund shall be determined by the Board of Directors. The reserve fund shall be the indivisible property of the Cooperative as a whole and shall not be depleted by payment of patronage refunds.

ARTICLE VIII

Distribution of Net Savings

SECTION 1.

Division of Net Savings. Following the close of each fiscal year the Net Savings (as defined by the New Hampshire Consumer Cooperative Act RSA 301-A or its successor, "the Act") for the year shall be allocated to all patrons in proportion to their patronage; provided that the Net Savings may be retained to expand the Cooperative's services or to reduce charges to its Members or patrons. The Board of Directors shall apportion the Net Savings of the Cooperative in accordance with the Act.

SECTION 2.

Manner of Distribution of Patronage Refunds. The Board of Directors shall first consider apportionment to the general reserve and/or to an educational reserve in accordance with the Act. The Cooperative shall distribute patronage refunds to patrons in cash, written notices of allocation, credit toward purchases at the Cooperative, or credit toward payment of Class A or Class B stock (if permitted by law and these Bylaws), subject to the limitations in sections 3 and 4 below.

SECTION 3.

When necessary to meet the capital needs of the Cooperative, the Board may determine that up to 80 percent of an annual patronage refund shall be distributed to Members in the form of Class B shares or other written notice of allocation.

SECTION 4.

A non-Member patron shall receive patronage refunds only in the form of Class A shares until such non-Member patron owns at least ten such shares, and only then upon registering with the Cooperative and presenting satisfactory evidence of the applicable purchases. A subscriber patron shall receive patronage refunds in the form of credit to the patron's account until the amount of capital subscribed for has been fully paid.

ARTICLE IX

Amendments

The Certificate of Organization and Bylaws may be amended by a two-thirds (2/3) vote of the Members voting as set forth in Article IV Section 7 of the Bylaws.

END OF DOCUMENT